

CRS Report for Congress

The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

Updated June 28, 2007

Amy Belasco
Specialist in National Defense
Foreign Affairs, Defense, and Trade Division



**Prepared for Members and
Committees of Congress**

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 28 JUN 2007		2. REPORT TYPE		3. DATES COVERED 00-00-2007 to 00-00-2007	
4. TITLE AND SUBTITLE The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service, The Library of Congress,101 Independence Ave, SE,Washington,DC,20540-7050				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 45	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

Summary

With enactment of the FY2007 supplemental on May 25, 2007, Congress has approved a total of about \$610 billion for military operations, base security, reconstruction, foreign aid, embassy costs, and veterans' health care for the three operations initiated since the 9/11 attacks: Operation Enduring Freedom (OEF) Afghanistan and other counter terror operations; Operation Noble Eagle (ONE), providing enhanced security at military bases; and Operation Iraqi Freedom (OIF).

The \$611 billion total covers all war-related appropriations from FY2001 through the May 25, 2007, enactment of the FY2007 Supplemental (H.R. 2206/P.L.110-28) including both funds in supplementals and regular appropriations acts for DOD, State Department/AID, and VA Medical costs. For FY2007, funds for Iraq and Afghanistan were appropriated in the FY2007 Supplemental, DOD's FY2007 Appropriations (H.R. 5631/P.L.109-289), and the Year-Long Continuing Resolution (H.J.Res 20/P.L.110-5).

Of the \$610 billion appropriated thus far, CRS estimates that Iraq will receive about \$450 billion (74%), OEF about \$127 billion (21%), and enhanced base security about \$28 billion (5%), with about \$5 billion that CRS cannot allocate (1%). Of this total funding, 93% of the funds is for DOD, 7% for foreign aid programs and embassy operations, and less than 1% for medical care for veterans.

For DOD, war appropriations rose steeply in FY2007. DOD received \$165.8 billion for war costs in FY2007 — more than 40% more than the previous year and 50% more than OMB estimated last summer. In FY2007, the State Department will receive about \$6.3. billion for Iraq and Afghanistan for foreign and diplomatic operations funds, and VA Medical costs for OIF/OEF veterans will be about \$1 billion, according to CRS estimates.

For FY2008, the administration has requested \$141.7 billion for DOD's war costs, \$4.6 billion for foreign and diplomatic operations, and about \$800 million for VA medical costs. If Congress approves the FY2008 war requests, total funding for Iraq and the Global War on Terror would reach about \$758 billion, including about \$567 billion for Iraq, \$157 billion for Afghanistan, \$29 billion for enhanced security, and \$5 billion unallocated.

For the first half of FY2007, CRS estimates that DOD's average monthly obligations for contracts and pay is running about \$12 billion per month, well above the \$8.7 billion in FY2006. For FY2007, obligations are about \$10 billion in Iraq, \$1.9 billion in Afghanistan, and less than \$100 million for enhanced security.

The Congressional Budget Office estimates that additional war costs for the next 10 years could total about \$472 billion if troop levels fall to 30,000 by 2010, or \$919 billion if troop levels fall to 70,000 by about 2013. If these estimates are added to already appropriated amounts, total funding for Iraq and the GWOT could reach from about \$980 billion to \$1.4 trillion by 2017. This report will be updated as warranted.

Contents

Introduction	1
New DOD Figures and CRS Estimates of War Costs	1
Funding for Each Operation	3
Funding for each Agency	4
FY2007 Supplemental and FY2008 War Cost Requests	5
The “Surge” in Troops and Naval Presence	5
FY2008 War Request	6
Key War Cost Questions	6
Potential War Cost Issues for the 110 th Congress	7
Urgency of Passage of the FY2007 Supplemental	7
 Trends in War Funding	8
Estimates for Iraq and Afghanistan and Other Operations	10
CBO estimates of future costs	10
Past Trends and Future Costs in Iraq	11
Past Trends and Future Costs in Operation Enduring Freedom	12
Past Trends and Future Costs in Enhanced Security	12
Difficulties in Explaining DOD’s War Costs	12
Changes in the Troop Strength	13
Reliance on Reservists Falls	16
Changes in Military Personnel Costs	17
Changes in Operating Costs	18
Changes in Investment Costs	18
Special Funds and the Flexibility Issue	19
DOD Spending Thus Far	21
Changes in Average Monthly Obligations	22
Total Obligations to Date	23
Average Cost Per Deployed Troop and Estimates of Future Costs	23
Estimates of Future Costs	24
 Major War Cost Issues in the 110 th Congress	25
Transparency Issues	25
Gaps and Discrepancies	26
Uncertainty About Figures	28
Congressional Ways to Affect Military Operations	28
The FY2007 Supplemental and the FY2008 War Request	30
DOD Changes Definition of War Costs	30
Procurement Requests In the FY2007 Emergency Supplemental	31
Front Loading Reset Funding	32
Modularity As An Emergency Expense	33
Growing the Force as a War Cost	34
Questions About War-Related Procurement Issues	35
Potential Readiness Issues	35
Readiness of Afghan and Iraqi Security Forces	37
Improving War Cost Reporting	39
 Appendix	40

List of Figures

Figure 1. Active-Duty and Reserve Shares of OIF/OEF Average Annual Troop Levels, FY2003-Early FY2007	17
--	----

List of Tables

Table 1. Estimated War-Related Funding By Operation: FY2001-FY2007 Enacted Supp and FY2008 Requests	3
Table 2. Estimated War-Related Funding By Agency: FY2001-FY2007 Enacted Supp and FY2008 Requests	4
Table 3. Budget Authority for Iraq, Afghanistan, and Other Global War on Terror (GWOT) Operations: FY2001-FY2007 Enacted Supplemental	8
Table 4. Average Troop Strength for Iraq, Afghanistan and other Counter-Terror Operations and Enhanced Security in the United States ^a ..	13
Table 5. DOD's War Budget Authority By Title: FY2004-FY2007 Enacted Supplemental ^a	15
Table 6. DOD's Obligations by Operation: FY2001-November 2006	22
Table 7. Average Annual Cost Per Deployed Troop: FY2003-FY2006	24
Table 8. Afghan and Iraq Security Forces Funding: FY2004-FY2008 Request	38
Table A1. Defense Department, Foreign Operations Funding, and VA Medical Funding for Iraq, Afghanistan and Other Global War on Terror, and Enhanced Base Security, FY2001-FY2007 Bridge	40

The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

Introduction

Since the terrorist attacks of September 11, 2001, the United States has initiated three military operations:

- Operation Enduring Freedom (OEF) covering Afghanistan and other Global War on Terror (GWOT) operations ranging from the Philippines to Djibouti that began immediately after the 9/11 attacks and continues;
- Operation Noble Eagle (ONE) providing enhanced security for U.S. military bases and other homeland security that was launched in response to the attacks and continues at a modest level; and
- Operation Iraqi Freedom (OIF) that began in the fall of 2002 with the build up of troops for the March 2003 invasion of Iraq and continues with counter-insurgency and stability operations.

In the fifth year of operations since the 9/11 attacks, the cost of war is a major concern including the total amount appropriated, the amount for each operation, average monthly spending rates, and the scope and duration of future costs. For Congress to assess Department of Defense (DOD) war costs in FY2008, conduct oversight of past war costs, and consider future alternatives for Iraq that range from the temporary increase in troop levels proposed by the president to a complete withdrawal, Congress needs considerably better information on costs than has been provided in the past. For updates of action on the FY2007 Supplemental, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes* by Stephen Daggett et al.

New DOD Figures and CRS Estimates of War Costs

In its FY2007 Emergency Supplemental Request submitted February 5, 2007, DOD reports total budget authority (BA) appropriated for Iraq and the Global War on Terror (GWOT) as well as obligations that reflect contracts signed for goods and services and pay for military and civilian personnel. According to DOD, BA appropriated to date totals \$455 billion. Of that amount, DOD reports that \$372 billion has been obligated through November 2006. DOD estimates that obligations are divided as follows:

- \$276 billion for Iraq;
- \$69 billion for Operation Enduring Freedom; and
- \$27 billion for Operation Noble Eagle (enhanced security).

These figures reflect a DOD financial reporting system that allocates budget authority by operation as funds are obligated, that is, when contracts are signed or personnel are paid.¹

Although this breakdown represents considerable progress for DOD in showing how previously appropriated funds have been allocated among the three operations — Iraq, Afghanistan and other counter-terror operations and enhanced security — it fails to cover over \$30 billion for classified programs and other funds for repair or replacement of war-worn equipment still to be obligated.²

In the case of its new war requests for FY2007 Supplemental and FY2008 GWOT costs, DOD provides estimated breakdowns by operation for most of the budget authority requested.³ For example, DOD estimates that the annual cost for Iraq would reach \$123.7 billion in FY2007 and \$110 billion in FY2008 if its requests are approved.⁴ Presumably, DOD could also allocate funds that have been appropriated just as they have estimated the breakdown in their new requests on the basis of ongoing operations and plans.

In this report, CRS estimates the allocation of all funds appropriated to DOD for war costs rather than only those obligated thus far. Such estimates give Congress a better sense of the current status of funding for each operation, and allows comparisons between fiscal years. CRS calculations of war appropriations available to DOD exceed DOD's estimate by more than \$17 billion, probably because CRS includes funds all funds appropriated to DOD for the Global War on Terror, as well as transfers from DOD's regular funds to finance unanticipated costs. CRS and CBO estimates are close.⁵

¹ These reports are compiled by the Defense Finance Accounting Service (DFAS) monthly, and are called, "Supplemental and Cost of War Execution Reports."

² See DOD, *FY2007 Emergency Supplemental Request for the Global war on Terror*, February 2007, p. 93 and 94; hereinafter, DOD, *FY2007 Supplemental*; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf].

³ In its FY2007 and FY2008 war requests, DOD does not allocate \$6 billion to \$9 billion for intelligence or for fuel for its baseline program to either OIF or OEF; CRS allocates these amounts since they are requested as war funds; see DOD, *FY2007 Supplemental*, p. 94 and DOD, *FY2008 Global War on Terror Request*, February 2007, p. 74; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf] hereinafter, DOD, *FY2008 GWOT Request*.

⁴ DOD, *FY2008 GWOT Request*, p. 74.

⁵ DOD does not appear to include about \$7 billion appropriated in the FY2003 regular act for GWOT or transfers of funds from DOD's regular budget to GWOT after enactment that are approved by the congressional defense committees. At the same time, DOD justification material for its FY2007 and FY2008 war requests shows that budget authority for war fell \$2 billion short in FY2001 and \$4 billion short in FY2004 — a gap presumably met by transferring funds from its regular appropriations. CRS added \$2 billion to its estimates to reflect the \$2 billion in transfers in FY2001. CBO's estimates of war costs are about \$4 billion lower than CRS because it includes fewer transfers; see CBO, Letter to Senator

(continued...)

To be complete and allow comparisons between years for each operation, CRS estimates the allocation of unobligated funds still to be spent or unreported (e.g., for classified programs) using previous trends as a guideline. In addition, CRS has compiled the funds allocated to Iraq and Afghanistan for foreign and diplomatic operations and for VA medical costs for OIF/OEF veterans (see **Table 1**, **Table 2**, and **Table 3**).

Funding for Each Operation. According to CRS estimates, Congress has appropriated about \$611 billion in budget authority (BA) thus far for Iraq, Afghanistan and enhanced security for DOD, the State Department and the Department of Veterans' Affairs. Based on these estimates, that total includes about

- \$451 billion for Iraq (75%),
- \$127 billion for Afghanistan and other counter terrorism operations (20%),
- \$28 billion for enhanced security (5%), and
- \$5 billion that CRS cannot allocate (see **Table 1** and **Table 2**).

Table 1. Estimated War-Related Funding By Operation: FY2001-FY2007 Enacted Supp and FY2008 Requests
(CRS estimates in billions of dollars of budget authority)

Operation & Total	FY01 & FY02	FY03 ^a	FY04 ^b	FY05 ^b	FY06	FY07	Enacted: FY01-FY07 Supp ^c	FY08 Req. ^d	Cum.: FY01-FY08 Req. ^d
Iraq	0.0	53.0	75.9	84.7	101.7	135.2	450.4	116.3	566.7
OEF	20.8	14.7	14.5	20.8	18.9	36.9	126.7	30.8	157.4
Enhanced Security	13.0	8.0	3.7	2.1	0.8	.5	28.1	0.5	28.6
Unallocated	0.0	5.5	0.0	0.0	0.0	0	5.5	0.0	5.5
TOTAL	33.8	81.1	94.1	107.6	121.5	173.0	610.5	147.5	758.1
Annual Change	NA	140%	16%	14%	14%	41%	NA	-16%	NA
Change Since FY03	NA	NA	16%	33%	50%	113%	NA	79%	NA

Notes and Sources: NA= Not Applicable. Numbers may not add due to rounding. Revised CRS estimates reflect Defense Finance Accounting Service, *Cost of War Execution Reports* through March 2007 and DOD estimated by operation in DOD, *FY2007 Emergency Supplemental Request for the Global War on Terror*, February 2007, p. 93 and other data; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf]. See **Table A1** for appropriations by public law and transfers. For a further breakdown of agency spending by operation, see **Table 3**.

a. Includes \$5.5 billion of \$7.1 billion appropriated in DOD's FY2003 Appropriations Act (P.L. 107-48) for the global war on terror that CRS cannot allocate and DOD cannot track.

⁵ (...continued)

Conrad, "Estimated Funding for Operations in Iraq and the Global War on Terror," February 7; [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>].

- b. Of the \$24.9 billion provided in Title IX of the FY2005 DOD appropriations bill, CRS included \$2 billion in FY2004 when it was obligated and the remaining \$23 billion in FY2005. Because Congress made the funds available in FY2004, CBO and OMB score all \$25 billion in FY2004.
- c. Includes funds in the FY2007 Supplemental (H.R. 2206/P.L.110-28), Title IX, P.L. 109-289, FY2007 DOD Appropriations Act (H.R. 5631) designated for war H.J. Res 20, P.L. 110-50, the year-long Continuing Resolution based on VA Medical estimates shown in FY2008 request, and requests for foreign and diplomatic operations. Agencies will be able to set country or programmatic levels.
- d. In the FY2008 request, CRS includes an estimate for enhanced security (\$500 million), funded in DOD's baseline, as well as the cost of Iraq and Afghanistan to be consistent.

Funding for each Agency. Of the \$610 billion enacted thus far, about \$568 billion, the lion's share or over 90% goes to the Department of Defense. DOD regulations require that the services request *incremental* war costs, in other words, costs in addition to regular military salaries, training and support activities, and weapons procurement, RDT&E or military construction that are reflect war needs. Incremental costs cover hostile fire or other combat-related special pays, activating reservists, deployments, conducting war operations, and supporting troops overseas, as well as repairing and replacing equipment worn out by war operations.

**Table 2. Estimated War-Related Funding By Agency:
FY2001-FY2007 Enacted Supp and FY2008 Requests**
(CRS estimates in billions of dollars of budget authority)

By Agency & Total	FY01 & FY02	FY03	FY04	FY05	FY06	FY07	Total Enacted Thru FY07 Supp.	FY08 Req.	Cum.: FY01-FY08 Request
DOD	33.0	77.4	72.4	102.6	116.8	165.8	568.0	142.1	710.2
State/AID	0.8	3.7	21.7	4.8	4.3	6.3	41.0	4.6	45.7
VA	0.0	0.0	0.0	0.2	0.4	1.0	1.6	.8	2.3
TOTAL	33.8	81.1	94.1	107.6	121.5	173.0	610.5	147.5	758.1

Sources: Public laws, Congressional appropriations reports, and CRS estimates; see also Table 1.

Through FY2007 appropriations, the State Department and USAID together received about **\$41 billion for reconstruction, embassy operations and construction**, and various foreign aid programs for Iraq and Afghanistan. The Veterans Administration has received about \$1.6 billion for medical care for veterans of these operations.⁶

⁶ This includes an estimate of the funding likely to be received by the State Department and the VA under H.J.Res 20, P.L. 110-5, the FY2007 Continuing Resolution. Those agencies will have discretion to allocate funds for Iraq and Afghanistan needs. Foreign operations activities are managed by both the State Department and USAID, which handles most U.S. development assistance programs.

FY2007 Supplemental and FY2008 War Cost Requests

On May 25, 2007, the FY2007 Supplemental that was requested in the Administration's FY2008 budget was enacted (H.R. 2206/P.L.110-28). The act included \$95.2 billion for DOD war costs for Iraq and Afghanistan (excluding \$4 billion for base closure and DOD healthcare costs), about \$4 billion for foreign and diplomatic operations, and about \$400 million for VA medical costs for OIF/OEF veterans. These requests were in addition to funds for Iraq and Afghanistan in regular appropriations acts, including a \$70 billion bridge fund for war in DOD's regular FY2007 appropriations act to cover the gap between the beginning of the fiscal year and passage of the supplemental.⁷ As enacted, DOD received \$165.8 billion for FY2007, or more than 40% above FY2006 and 50% higher than the \$110 billion projected by OMB last summer.⁸

On March 9, 2007, the Administration submitted an amendment to the FY2007 Supplemental mainly to cover the cost of sending additional troops to Iraq and Afghanistan, offset primarily by shifting funds requested in the supplemental for Navy and Air Force aircraft to the FY2008 war request. This appears to be a response to a controversy that developed in response to a new CBO estimate that from \$9 billion to \$27 billion — depending on whether troops stayed for 6 months or 12 — could be needed for additional troops to support the additional combat troops that the president announced would deploy to Iraq to establish security in Baghdad.⁹

The “Surge” in Troops and Naval Presence. The FY2007 Supplemental included funding for the president's proposal announced on January 10, 2007 to increase troops in Iraq by 21,500 to establish security in Baghdad and Anbar province and to heighten naval presence in the Gulf by deploying an additional carrier and extending one Marine Expeditionary Group “as a gesture of support to our friends and allies in the area who were becoming very worried about Iran's aggressiveness” according to Secretary of Defense Gates.¹⁰

Unless Congress enacts specific restrictions, the president can use currently available DOD funds to conduct military operations including the deployment of additional troops. Funds for DOD are appropriated for particular types of expenses (e.g., military personnel costs) rather than designated for particular operations which gives the president leeway to conduct military operations as he sees fit. With enactment of the supplemental, DOD can restore funds for other activities that were temporarily tapped to fund ongoing operations, including the “surge.”

⁷ Department of Defense Press Release, President Bush's FY2008 Defense Submission, “February 5, 2007.

⁸ See OMB, *Fiscal Year 2007 Mid-Session Review*, p. 6, which projects war costs of \$110 billion in FY2007; [<http://www.whitehouse.gov/omb/budget/fy2007/pdf/07msr.pdf>].

⁹ CBO, Cost Estimate for Troop Increase Proposed by the president, 2-1-07 [<http://www.cbo.gov/ftpdocs/77xx/doc7778/TroopIncrease.pdf>].

¹⁰ House Armed Services Committee, transcript of hearing on “Fiscal 2008 Budget: Defense Department,” February 7, 2007, p. 45.

As passed, the FY2007 Supplemental included about \$5.6 billion to cover these costs plus an additional \$1 billion for support troops, considerably less than the CBO estimate. The Administration's requests included only funding to cover the additional troops through the end of FY2007. If those troops remain beyond the end of September, DOD's FY2008 request would presumably be inadequate unless DOD shifted funds from procurement to military personnel and operations.

FY2008 War Request. In addition to its regular or baseline FY2008 budget request of \$481.4 billion, DOD submitted an emergency request for war costs of \$141.7 billion to cover FY2008 war costs. (CRS figures include an estimate of \$500 million for enhanced security not requested as emergency funds.) That request reflects a requirement in the FY2007 National Defense Authorization Act motivated by long-simmering Congressional concerns about the limited visibility for war costs because funds are provided primarily in supplementals.¹¹

DOD's FY2008 request is \$21.7 billion or 13% less than the FY2007 total primarily because of lower amounts for Iraq and Afghan security forces but is still almost double the FY2004 amount. For the years beyond FY2008, the Administration includes a placeholder figure of \$50 billion in FY2009 and no funds in later years.¹²

Key War Cost Questions

This CRS report is designed to answer the frequently asked questions below as well as address the major war cost issues likely to be faced in the 110th Congress.

- How much has Congress appropriated for each of the three missions since the 9/11 attacks — Operation Iraqi Freedom (Iraq), Operation Enduring Freedom (Afghanistan and other Global War on Terror operations), and Operation Noble Eagle (enhanced security for defense bases) for defense, foreign operations, and related VA medical care?
- How and why have average monthly DOD obligations changed over time for each mission?
- What are potential future spending levels under various scenarios ranging from an increase in troop levels to a withdrawal of forces?

This report provides CRS estimates of the amount appropriated for each of the three missions to date, average obligations per month, and other measures of costs (see below).

¹¹ See Section 1008, *P.L.109-364, FY2007 National Defense Authorization Act*.

¹² Office of Management and Budget, *FY2008 Historical Tables*, Table 5.1.

Potential War Cost Issues for the 110th Congress

In addition to debate about the new surge proposal, the 110th Congress may face several other major war cost issues such as:

- how to ensure transparency in war costs;
- how to use Congressional funding mechanisms to affect policy options for Iraq;
- how to decide which DOD costs qualify as emergency war costs and which should be considered part of DOD's regular baseline budget, particularly for reconstitution or reset — the repair and replacement of war-worn equipment; and
- how to judge and respond to readiness problems that stem from war operations.

Grappling with these issues is more difficult because DOD has provided limited information about prior war costs making trends difficult to decipher and explanations unlikely to be available. GAO, CBO, and CRS have all raised concerns about these problems in reports and testimony. There are also many unresolved discrepancies and gaps in reported DOD figures.

War-related issues — primarily the effectiveness of the ongoing surge in troops and future troop levels — were joined during consideration of the FY2007 supplemental request (see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.). As in previous years, there was considerable pressure to enact supplemental war funds quickly to minimize DOD's need to finance war costs with its baseline appropriations.

Urgency of Passage of the FY2007 Supplemental

As in past years, Congress was under considerable pressure from DOD to pass the FY2007 supplemental quickly in order to ensure that the Army would have enough funds for both its wartime and peacetime operations. The FY2006 Supplemental was enacted in mid-June 2006, which the Army claimed created considerable management problems. Initially, the Army claimed that the supplemental needed to be enacted by the end of April to avoid such problems.¹³

To conserve funds, the Army adopted a series of restrictions affecting non-war-related activities. Based on estimates reflecting the slowdown, CRS and the Army estimated that the Army had sufficient funds to last through June 2007. The Supplemental was enacted on May 25, 2007.¹⁴

¹³ Army Budget Office, "OMA FY07 Spending Projections," February 5, 2007.

¹⁴ Army Briefing, April 2007. See the section titled, "Financing Army Operations Until Passage of the Supplemental," in CRS Report RL33900, for more details.

Trends in War Funding

The total cost for all three operations — Iraq, Afghanistan, and other GWOT and enhanced security — has risen steeply since the 9/11 attacks primarily because of higher DOD spending in Iraq. Annual war appropriations more than doubled from about \$34 billion in FY2001/FY2002 to about \$80 billion with the preparation for and invasion of Iraq in FY2003 (see **Table 1 and Table 3**). Based on passage of the FY2007 Supplemental, annual funding will more than double again between FY2004 and FY2007, reaching \$173 billion for DOD and other agencies.

Table 3 estimates the breakdown of war-related funds for each operation and each agency by fiscal year. DOD's funding covers not only operational costs but also replacing and upgrading military equipment, converting units to new modular designs, training Afghan and Iraqi security forces, providing support to allies and enhanced security at DOD bases. Foreign and diplomatic operations cover the cost of reconstruction, building and operating embassies in Iraq and Afghanistan and various foreign aid programs.

Table 3. Budget Authority for Iraq, Afghanistan, and Other Global War on Terror (GWOT) Operations: FY2001-FY2007 Enacted Supplemental

(CRS estimates in billions of budget authority)

By Operation and Funding Source	FY01 & FY02 ^a	FY02	FY03	FY04	FY05	FY06	FY07	Cum. Total Enacted thru FY07 Supp.
OPERATION IRAQI FREEDOM (OIF)^b								
Department of Defense	0	0	50.0	56.4	82.5	98.2	130.6	417.7
Foreign Aid and Diplomatic Ops ^c	0	0	3.0	19.5	2.0	3.2	3.7	31.3
VA medical ^d	0	0	0	0	0.2	0.4	0.9	1.6
Total: Iraq	0.0	0.0	53.0	75.9	84.7	101.7	135.2	450.4
OPERATION ENDURING FREEDOM (OEF)/Afghanistan and GWOT								
Department of Defense	9.0	11.0	14.0	12.4	18.0	17.9	34.7	116.9
Foreign Aid and Diplomatic Ops ^d	0.3	0.5	0.7	2.2	2.8	1.1	2.1	9.7
VA Medical ^e	0	0	0	0	0	0.0	0.1	0.1
Total: OEF	9.3	11.5	14.7	14.5	20.8	18.9	36.7	126.7
Enhanced Security (Operation Noble Eagle)								
Department of Defense	7.0	6.0	8.0	3.7	2.1	0.8	0.5	28.1
Total: Enhanced Security^f	7.0	6.0	8.0	3.7	2.1	0.8	0.5	28.1
DOD Unallocated	0.0	0.0	5.5	0.0	0.0	0.0	0.0	5.5
ALL MISSIONS								
Department of Defense	16.0	17.0	77.4	72.4	102.6	116.8	165.8	568.0
Foreign Aid and Diplomatic Operations ^d	0.3	0.5	3.7	21.7	4.8	4.3	6.3	41.0
VA Medical ^e	0	0	0	0	0.2	0.4	1.0	1.6
Total: All Missions	16.3	17.5	81.1	94.1	107.6	121.5	173.0	610.5

Notes and Sources: Numbers may not add due to rounding. Because DOD has not provided a breakdown by operation for all appropriations received, CRS estimates unobligated budget authority using past trends as shown in DOD's Defense Finance Accounting Service (DFAS) reports, *Supplemental & Cost of War Execution Reports*, through March 2007 and other information. Revisions in this update also reflect new DOD information in DOD, *FY2007 Emergency Supplemental Request for the Global war on Terror*, February 2007, p. 93; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf]. CRS budget authority (BA) totals are higher than shown by DOD in Figure 1 in its FY2007 Supplemental Request because CRS includes all funding provided in supplementals, bridge funds or baseline appropriations for Iraq and the Global war on Terror as well as transfers from DOD's baseline funds for GWOT requirements, and enhanced security. CRS also splits the \$25 billion provided in the FY2005 Title IX bridge between the \$1.8 billion obligated in FY2004 and the remainder available for FY2005; all those funds are scored as FY2004 because they were available upon enactment in August 2005. Includes funds provided in P.L. 107-38, the first emergency supplemental after 9/11, and funds allocated in P.L. 107-117. Foreign operations figures were prepared with the help of CRS analysts Larry Nowels, Connie Veillette, and Curt Tarnoff.

- a. CRS combined funds for FY2001 and FY2002 because most were obligated in FY2002 after the 9/11 attacks at the end of FY2001.
- b. DOD's new estimate for Iraq shows BA from FY2003 as \$48 billion, \$2 billion higher than reported by DFAS, suggesting an unidentified source for these funds.
- c. CRS estimates reflect request; the State Department can set country levels under the FY2007 Continuing Resolution, HJ Res 20/P.L. 110-5.
- d. Foreign operations figures include monies for reconstruction, development and humanitarian aid, embassy operations, counter narcotics, initial training of the Afghan and Iraqi army, foreign military sales credits, and Economic Support Funds.
- e. VA Medical estimates reflect figures in VA's justification material for FY2008.
- f. Known as Operation Noble Eagle, these funds provide higher security at DOD bases, support combat air patrol, and rebuilt the Pentagon.

Over 90% of DOD's funds were provided as emergency funds in supplemental or additional appropriations; the remainder were provided in regular defense bills or in transfers from regular appropriations.¹⁵ Emergency funding is exempt from ceilings applying to discretionary spending in Congress's annual budget resolutions.¹⁶ Some members have argued that continuing to fund ongoing operations in supplementals reduces Congressional oversight. Generally, much of foreign and diplomatic funding has been funded in regular rather than emergency appropriations.¹⁷

¹⁵ These funds were characterized as "additional appropriations," and put in a separate title of DOD's regular appropriation bill in FY2005, FY2006, and FY2007. For discussion of using regular vs. supplemental appropriations for war funding, see CRS Report RS22455, *Military Operations: Precedents For Funding Contingency Operations in Regular or in Supplemental Appropriations Bills*, by Stephen Daggett.

¹⁶ The FY2005 and FY2006 budget resolutions exempted up to \$50 billion in overseas contingency operations funds from budget controls (see Section 403, H.Con.Res. 95 (FY2005) and Sec. 402, S.Con.Res. 95 (FY2006)). Congress did not pass a budget resolution in FY2007.

¹⁷ The exception is FY2004 when Congress appropriated \$20 billion for reconstruction in the supplemental.

Estimates for Iraq and Afghanistan and Other Operations

How much has Congress provided for each of the three operations launched since the 9/11 attacks — Iraq, Afghanistan and other GWOT, and enhanced security? Using a variety of sources and methods, CRS estimated the distribution of war-related funds appropriated for defense, foreign operations, and VA medical costs from the 9/11 attacks through the FY2006 supplemental request (see **Table 3**). With passage of the FY2007 bridge fund (H.R. 5631/P.L. 109-289), CRS estimates that war-related appropriations enacted to date total about \$610 billion allocated as follow

- \$450 billion for Iraq (or 74%);
- \$127 billion for Afghanistan (or 20%);
- \$28 billion for enhanced security (5%); and
- \$5 billion unallocated (1%) (see **Table 3**).

Since the FY2003 invasion, DOD's war costs have been dominated by Iraq. Costs for OEF has risen in recent years as troop levels and the intensity of conflict have grown. The cost of enhanced security in the United States has fallen off from the earlier years which included initial responses to the 9/11 attacks. Foreign operations costs peak in FY2004 with the \$20 billion appropriated for Iraq and Afghan reconstruction and then run about \$3 billion to \$4 billion a year.

Although some of the factors behind the rapid increase in DOD funding are known — the growing intensity of operations, additional force protection gear and equipment, substantial upgrades of equipment, converting units to modular configurations, and new funding to train and equip Iraqi security forces — these elements are not enough to explain the size of the increases. Until this year, DOD has provided little explanation in its requests.

The FY2007 DOD Emergency Request and the FY2008 Global War on Terror (GWOT) request provide more justification material than previously. In FY2009, the Administration includes a \$50 billion placeholder figure for war costs and no funds in later years.

CBO Estimates of Future Costs. Based on two illustrative scenarios assuming a more and less gradual drawdown in deployed troop levels, CBO estimated the cost of all three operations for the next ten years from 2007-2017. According to those estimates, the cost of Iraq and GWOT operations could cost an additional:

- \$472 billion if troop levels fell to 30,000 by 2010; or
- \$919 billion if troop levels fell to 75,000 by 2013.

This CBO estimate does not provide split funding for Iraq and Afghanistan. It also assumes about \$20 billion less in DOD war funding for FY2007 than DOD received. CBO stated that future costs were difficult to estimate because DOD has provided little detailed information on costs incurred to date, and does not report outlays, or actual expenditures for war because war and baseline funds are mixed in the same

accounts. Nor is information available on many of the key factors that determine costs such as personnel levels or the pace of operations.¹⁸

Both CBO scenarios assume a gradual drawdown in forces over the next ten years. The Administration has not provided any long-term estimates of costs despite a statutory reporting requirement that the president submit a cost estimate for FY2006-FY2011 that was enacted in 2004.¹⁹

Past Trends and Future Costs in Iraq. *How has funding for Iraq changed over time and what is the outlook for the future?* CRS estimates that Iraq will receive funding totaling about \$450 billion as of funds appropriated through the FY2007 Supplemental (H.R. 2206/110-28). War costs in Iraq have risen sharply from initial funding to deploy troops starting in the fall of 2002 (presumably drawn from DOD's regular appropriations since supplemental funds were not available) to an estimated \$97.5 billion for FY2006, the last complete year of funding.

Future Iraq Costs. CRS estimates that the annual total for Iraq in FY2007 would increase to \$135 billion based on the enacted FY2007 Supplemental (see **Table 1** and **Table 2**).²⁰ That would be an increase of over 40% from last year and about 150% above the level of funding in the first year, FY2003. The FY2008 DOD war request includes \$116 billion for Iraq, \$19 billion less than in FY2007 reflecting lower funding levels for training of Afghan and Iraqi security forces.

In response to a request last summer, CBO estimated the cost of two alternative scenarios for Iraq for FY2007-FY2016 with costs ranging from:

- \$202 billion if all troops are removed by the end of 2009; and
- \$406 billion if the number of deployed troops falls to 40,000 by 2010.²¹

CBO has not estimated the cost of withdrawal separately.

¹⁸ Letter to Chair, Senate Budget Committee, Kent Conrad, "Summarizing and projecting fundinf for Iraq and GWOT under two scenarios," February 7, 2007, Table 1 and p.2 - p.3; [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>]. See also, CBO, Statement of Robert A. Sunshine, Assistant Director, before the House Budget Committee, "Issues in Budgeting for Operations in Iraq and the War on Terrorism," January 18, 2007.

¹⁹ Sec. 9012 required that the president submit an estimate for FY2006-FY2011 unless he submitted a written certification that national security reasons made that impossible; the Administration did not submit a waiver but then-OMB Director, Joshua B. Bolten sent a letter on May 13, 2005 to Speaker of the House J. Dennis Hastert saying that an estimate was not possible because there were too many uncertainties.

²⁰ CRS estimates the allocation of about \$9 billion in funding requested in the FY2007 Supplemental for classified programs and for baseline fuel that DOD does not include for either OIF or OEF.

²¹ CBO, Letter to Congressman John M. Spratt, Jr, "Estimated funding for two specified scenarios for Iraq over the period 2007-2016," July 13, 2006, Table 1; [http://www.cbo.gov/ftpdocs/73xx/doc7393/07-13-IraqCost_Letter.pdf].

Past Trends and Future Costs in Operation Enduring Freedom.

How has funding for Afghanistan and other Global War on Terror Operations changed over time and what does the future hold? To date, Afghanistan has received about \$127 billion in appropriations for DOD, foreign and diplomatic operations, and VA medical. In recent years, funding for Afghanistan has risen to about \$20 billion annually but is slated to jump by 75% to about \$37 billion in FY2007 (see **Table 1.**)

Increases in previous years reflect higher troop levels, the cost to train Afghan forces, and part of the cost of upgrading and replacing equipment and converting Army and Marine Corps units to a new modular configuration. Some of the \$14 billion increase in the FY2007 supplemental reflects a \$5.5 billion increase in funds to equip and train Afghan security forces (\$1.9 billion in FY2006 to \$7.4 billion in FY2007), and \$510 million for the 7,200 additional troops. The reasons for the rest of the increase are not clear.

Past Trends and Future Costs in Enhanced Security.

How has the cost of Operation Noble Eagle or enhanced security for DOD bases changed since 9/11? Funding for enhanced base security and other responses to the initial attacks fell from the \$12 billion available in the first year after the attacks to \$8 billion in 2003 as one-time costs like Pentagon reconstruction (\$1.3 billion), some security upgrades were completed, DOD scaled back combat air patrol (about \$1.3 billion for around-the-clock coverage), and the services cut the number of reservists guarding bases.²² In FY2004, the cost of enhanced security almost halved again, dropping to \$3.7 billion.

Beginning in FY2005, DOD funded this operation in its baseline budget rather than in supplementals and costs have fallen to under \$1 billion in FY2006 (See **Table 3**). The services are now requesting funds for base security in the United States, which could overlap with the enhanced security mission.

Difficulties in Explaining DOD's War Costs

What makes war costs change? Changes in war costs would be expected to vary with the number of troops, war-related benefits for those troops, the intensity of operations, and levels of basing and support. The extent of competition in contracts and the price of oil would also be expected to affect the prices of goods and services purchased by DOD.

Important war cost drivers would be expected to include:

- the number of troops deployed or anticipated to deploy;
- changes in the pace of operations or optempo;

²² DOD's new estimate for ONE is \$8 billion rather than the \$6.5 billion shown in an earlier DOD briefing. For more information, see CRS Report RL31187, *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, and CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, both by Amy Belasco and Larry Nowels.

- changes in the amount of equipment and number of personnel to be transported to the theater of operations;
- whether support is designed to be temporary or longer-term;
- force protection needs;
- how quickly equipment breaks down and how quickly it is to be replaced or upgraded; and
- military basing plans that underlie construction requests.

Troop levels would be expected to be the basic underlying factor that determines the cost of military activities and support ranging from the number of miles driven by trucks (which, in turn, affects how quickly trucks break down), purchases of body armor (varying with the threat), or meals served and housing provided. Troop levels, however, have risen far less than costs.

Changes in the Troop Strength. In testimony and supplemental requests, DOD typically cites the number of “boots on the ground” at a particular time to illustrate military personnel levels. For example, DOD figures show that there were about 139,000 troops in Iraq and 19,000 in Afghanistan or about 158,000 as of October 1, 2006.²³ Similar figures are cited by DOD witnesses in hearings.

This figure, however, does not include all troops in the region deployed for OIF or OEF operations or capture the annual average as troops rotate in and out of the theater during the year. Nor does it capture activated reservists in the United States who are training, backfilling for deployed troops, or supporting DOD’s enhanced security (ONE) mission. For these reasons, “boots on the ground” figures understate the number of military personnel dedicated to these operations.

Table 4. Average Troop Strength for Iraq, Afghanistan and other Counter-Terror Operations and Enhanced Security in the United States^a

(in thousands)							
By Service	FY01	FY02	FY03	FY04	FY05	FY06	Oct/Nov. 2006
Average Deployed	51	78	226	220	259	269	257
Army	8	17	110	144	167	176	162
Navy	29	30	42	25	29	32	37
Marine Corps	0	4	32	25	36	34	30
Air Force	15	27	41	26	27	27	27
Activated Reserves State-side^b	NA^c	47	87	84	64	49	46
All OIF/OEF/ONE Military Personnel	51	125	313	304	323	319	302

a. Average strength computed by the Defense Manpower Data Center by totaling the number of days deployed for each service member in a year and then dividing that figure by the 365 days in the year.

²³ DOD, Information Paper, “Congressional Research Service Request for Boots on the Ground (BOG) Statistics for Iraq and Afghanistan, January 1, 2007,” 1-2-07.

- b. Activated reservists in the United States are training up for deployments, backfilling the positions of deployed active-duty personnel, or providing enhanced security at U.S. installations.
- c. Not available.

For example, in FY2006, average troop strength was some 319,000 for operations in Iraq, Afghanistan and other counter-terror operations or almost twice as high as “boots on the ground” figures. In its new supplemental request, DOD cites about 320,000 for its troop strength in FY2007, acknowledging the higher troop levels for the first time.²⁴

Between FY2004, the first year of occupation, and FY2007, average troop strength for all three missions is projected to grow by only 5% — from 304,000 to 319,000 while costs would more than double — from \$73 billion to \$166 billion (see **Table 2**) — based on enactment of the FY2007 Supplemental.

Some would argue that the average number of *deployed* troops dedicated to Iraq and GWOT operations would be provide a better metric to explain war costs because those are the troops carrying out ongoing operations. Under this reasoning, reservists in the United States — whether training up or backfilling — are considered the support tail for deployed troops.

Between FY2004 and FY2006, average deployed troop strength increased from 220,000 to 270,000 or by about 20% whereas funding levels increased by 60% (see **Table 5**). If the 21,000 troops for the president’s troop increases are added to average strength in FY2006 level, troop strength could reach 290,000 in FY2007, a 30% increase from FY2004 and the highest level thus far. At the same time the Administration is proposing funding for FY2007 that is more than double the amount in FY2004. Changes in troop strength do not explain such increases. DMDC does not show average troop strength data by operation.

²⁴ DOD, *FY2007 Emergency Supp.*, p. 16. [http://dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf].

**Table 5. DOD's War Budget Authority By Title:
FY2004-FY2007 Enacted Supplemental^a**
(in billions of dollars)

Title	FY04	FY05	FY06	FY07
Military Personnel	17.8	19.7	16.7	18.8
Operation & Maintenance	42.0	47.9	60.0	75.0
Defense Health	0.7	1.0	1.2	3.0
Other Defense Programs ^b	0.1	0.2	0.2	0.4
Procurement	7.2	18.0	22.9	45.4
Research, Dev., Tstg. & Eval.	0.4	0.6	0.8	1.5
Working Capital Funds ^c	1.6	3.0	3.0	1.1
Military Construction	0.5	1.2	0.2	1.7
Subtotal: Regular Titles	70.3	91.7	105.1	146.9
Special Funds and Caps				
Iraqi Freedom Fund (IFF)	2.0	3.8	3.3	0.4
Afghan Sec. Forces Training Fd. ^d	0.0	1.3	1.9	7.4
Iraq Security Forces Training Fd ^d	[5.0]	5.7	3.0	5.5
Joint Improvised Explosive Device (IED) Defeat Fd ^e	0.0	0.0	3.3	4.4
Strategic Reserve Readiness Fd. ^e	0.0	0.0	0.0	1.6
Coalition Support Cap ^f	[1.2]	[1.2]	[.9]	[1.1]
Lift and sustain Cap ^f	[0]	[0]	[.4]	[.3]
Global lift and sustain Cap ^f	[0]	[0]	[0]	[0]
Global train and equip Cap ^f	[0]	[0]	[0]	[0]
Cmdrs' Emerg.Response Cap ^f	[.2]	[.8]	[.9]	[1.0]
Special Transfer Authority Cap ^g	[3.0]	[3.0]	[4.5]	[3.5]
Subtotal: Special Funds	2.0	10.7	11.5	19.3
Dept. of Defense Total	72.3	102.4	116.7	166.2
Coast Guard Transfer	0.0	[.2]	[.1]	[.2]
Intell. Comm. Mgt Fund	0.0	0.3	0.2	0.1
Def. Nuclear Nonproliferation	0.0	0.0	0.0	0.1
Salaries & Expenses, FBI	0.0	0.0	0.0	0.1
Subtotal: Defense-Related^h	0.0	0.3	0.2	0.3
National Defense Total	72.3	102.6	116.8	166.5

Sources: CRS calculations based on H.Rept. 110-60, S.Rept. 110-37, H.Rept. 110-107, H.R. 1591 and H.R. 2206 as passed by both houses, and "additional explanatory materials in the *Congressional Record*, May 24, 2007, p. H.8506ff. submitted by Congressman Obey, Chair of the House Appropriations Committee.

a. This table separates funds with special purposes such as the Afghan Security Forces Fund rather than including them in one of the regular titles to better identify trends. For FY2007, request reflects amended FY2007 supplemental submission of March 9, 2007; see OMB, *Appendix: FY2008 Budget*, "Other Materials: FY2007 Supplemental and FY2008," February 5, 2007 for original request, p. 1143ff; [<http://www.whitehouse.gov/omb/budget/fy2008/pdf/appendix/sup.pdf>]. For amended request, see OMB, "Estimate No. 3," [http://www.whitehouse.gov/omb/budget/amendments/amendment_3_9_07.pdf]. Includes transfers from baseline accounts to war to meet unanticipated needs through FY2005.

b. "Other Defense Programs" includes counter drug and Office of Inspector General funds.

c. Working capital funds finance additional inventory for support items such as spare parts.

- d. Training Iraqi security forces was initially funded in the State Department [shown in brackets] but is now funded in DOD. The Afghan Army also received some State Department funds.
- e. The Joint IED Defeat Fund finances responses to IED attacks through transfers to procurement, RDT&E, and operation and maintenance programs. Initially, Congress appropriated \$1.4 billion for IED Defeat to the Iraq Freedom Fund and then appropriated \$1.9 billion to a separate new account, the Joint IED Defeat Fund. Total for FY2006 includes both \$1.4 billion and the \$1.9 billion for a total of \$3.5 billion.
- f. Congress sets caps on different types of coalition support — reimbursements to allies conducting operations or logistical support for OIF and OEF, and lift, support, training and equipping of allies conducting other counter-terror operations. Congress also sets a cap on CERP, a program which permits military commanders to fund small-scale reconstruction projects in Iraq and Afghanistan.
- g. Defense-related programs are included in the national defense budget function.
- h. Congress sets the amount of transfer authority in each bill. The table includes amounts provided for both bridge and supplemental funds. Includes \$10.4 billion for Iraq Freedom Fund in FY2003 (deducting specified floors) plus \$2 billion in transfer authority.

Military personnel funding has hovered between \$16 billion and \$20 billion a year (see **Table 5**). About half of the \$16 billion for war-related military personnel is for the cost of paying full-time pay and benefits to the 150,000 reservists to 110,000 reservists who have been activated each year since FY2004, with the number falling in recent years.²⁵

Funds for war-related military personnel also include special war-related pay and benefits (e.g., hostile fire or imminent danger pay or survivors benefits) and “overstrength” or the additional active-duty personnel who have been recruited and retained to meet wartime needs above DOD’s pre-war strengths — 482,000 for the Army and 172,000 for the Marine Corps. “Overstrength” has been considered a war cost because DOD argued that the increases would be temporary but in the FY2007 Supplemental, the Defense Department has requested that these increases be part of a permanent expansion of the Army and Marine Corps, a position supported by some members as well (see below).

Since FY2004, DOD has reduced its reliance on reservists with the number activated falling from 151,000 in FY2004 to 113,000 in FY2006. Despite this 25% decrease, DFAS cost reports show a more modest 8% decrease in cost from \$8.8 billion to \$8.1 billion. It is not clear why cost figures are inconsistent with average troop levels but GAO has found various inconsistencies in DOD reporting of military personnel costs.²⁶

Reliance on Reservists Falls. Between FY2004 and FY2006, DOD reduced its reliance on reservists as their share of total personnel dedicated to war missions declined from 30% to 24% (see **Figure 1**). This change reflects the fact that some reservists have bumped up against a DOD-imposed policy set after the 9/11 attacks that limited their total deployment time to 24 months. Since reserve

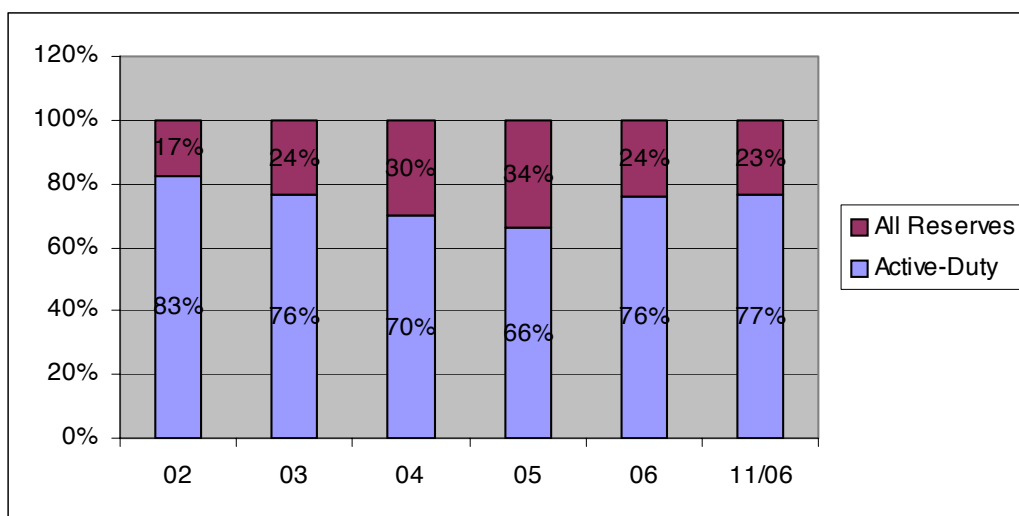
²⁵ Average annual strength for activated reservists from Defense Manpower Data Center, “Average Member Days Deployed by Service Component and Month/Year, 9/01 to 11/06.”

²⁶ GAO, *FY2004 Costs for Global War on Terrorism Will Exceed Supplemental*, July 2004 [<http://www.gao.gov/new.items/d04915.pdf>].

deployments were typically for 18 months — including time to train up — reservists were available for only one deployment.

Secretary Gates recently changed this policy, setting call-ups for 12 rather than 18 months. The services could also exclude train up and demobilization time and make exceptions if necessary. The policy change also emphasizes activating units rather than individuals to improve morale and readiness.²⁷ This policy change is likely to make reservists available for two tours if necessary.

Figure 1. Active-Duty and Reserve Shares of OIF/OEF Average Annual Troop Levels, FY2003-Early FY2007



Notes and Sources: Includes all activated reservists whether deployed, preparing to deploy or serving in the United States. Data from Defense Manpower Data Center, Contingency Tracking System, “Average Member Days Deployed by Service Component and Month/Year,” November 2006. The Contingency Tracking System covers military personnel servicing in Operation Iraqi Freedom, Operation Enduring Freedom, and Operation Noble Eagle.

Changes in Military Personnel Costs. As DOD reduces its reliance on activated reservists, war-related military personnel costs would be expected to fall because the incremental war-related cost of active-duty personnel — special pays — is less than paying full-time salaries to reservists. At the same time, however, military personnel costs are higher as DOD “overstrength” or the number of personnel over the Army and Marine Corps pre-war levels — grows. Yet DFAS reports show a decline in funding for overstrength from \$2.0 billion in FY2005 to \$1 billion in FY2006, another possible reporting error.²⁸ Although DOD is now proposing that these increases would be permanent in order to sustain higher deployments for the Global

²⁷ David S. C. Chu, Under Secretary of Defense for Personnel and Readiness, “Mobilization/Demobilization Personnel and Pay Policy for Reserve Component Members Ordered to Active Duty in Response to the World Trade Center and Pentagon Attacks,” September 20, 2001; and Robert M. Gates, Secretary of Defense, “Utilization of the Total Force,” January 19, 2007.

²⁸ DFAS, *Supplemental and Cost of War Execution Reports*, September 2005 and September 2006, “DoD Totals.”

War on Terror, DOD requested the funds in the FY2007 supplemental as an unanticipated emergency expense.

Changes in Operating Costs. Even if troop strength remains the same, operational costs could grow if operating tempo intensifies, repair costs increase, or support costs grow. These factors appear to explain some but not all of the \$17 billion increase in operating costs from \$43 billion in FY2004 to \$60 billion in FY2006 (see **Table 5**). Based on DOD reporting of obligations, this increase reflects

- more body armor and other protective gear for troops (purchased with O&M funds), growth of \$1 billion to \$2 billion;
- the jump in oil prices and the rise in intensity of operations, growth of about \$4 billion;
- the coming due of maintenance bills as equipment wears out, growth of \$4 billion increase; and
- a \$2 billion increase in command, communications, control, computers and intelligence support.²⁹

With the exception of force protection gear where congressional interest has been high, DOD has not provided little explanation for these changes.

With enactment of the FY2007 Supplemental, operating costs will jump by from \$60 billion in FY2006 to \$75 billion in FY2007 or by another \$15 billion or 25%. This increase reflects the administration's surge in troop levels and naval presence (about \$5 billion), higher repair costs (\$3 billion), more force protection gear (about \$1 billion), and a doubling in transportation costs (\$2 billion), increased LOGCAP contractor support (\$300 million), and higher operating tempo.³⁰ These factors identify some but not all of the increase.

Changes in Investment Costs. Since FY2004, the rise in investment costs has been dramatic — about a threefold increase from \$7.2 billion in FY2004 to \$23 billion in FY2006. Procurement made up about 25% of DOD's appropriations compared in FY2006 compared to 10% only two years earlier. Since FY2003, DOD has received about \$80 billion in war-related procurement funds — about equal to the amount received by DOD for its baseline budget in FY2006 (see **Table 5**).³¹ The FY2007 Supplemental calls for another large increase where procurement would grow from \$23 billion to \$45 billion, a \$22 billion increase and close to a doubling.

Again, some of the reasons for this upsurge in war-related investment costs are known:

²⁹ DFAS, *Supplemental and Cost of War Execution Reports*, September 2005 and September 2006, "DoD Totals."

³⁰ Department of the Army, *Global War on Terrorism (GWOT)/Regional War on Terrorism (RWOT), FY2007 Supplemental Budget Estimate*, Volume 1, February 2007; [<http://www.asafm.army.mil/budget/fybm/fy08-09/sup/fy07/oma-v1.pdf>].

³¹ DOD received \$80.9 billion for procurement in FY2006; see H.Rept. 109-676, p. 135.

- a push by both DOD and Congress to provide more force protection equipment and increase situational awareness (e.g., uparmored High Mobility Multipurpose Wheeled Vehicles (HMMWVs), radios, sensors);
- a decision to fund equipment for newly-configured Army and Marine Corps units, known as modularity or restructuring;
- the growing bill to rebuild or replace damaged equipment, a process known as reset or reconstitution;
- extensive upgrading of equipment; and
- the building of more extensive infrastructure to support troops and equipment in and around Iraq and Afghanistan.

These reasons are not sufficient, however, to explain the scope of increases thus far or to sort out whether the new requests are legitimately war-related emergencies rather than being part of ongoing modernization or transformation programs. DOD has provided little rationale or explanation for its requirements or change in requirements for replacing war-worn equipment or extensive upgrades.

In some cases, requirements do not appear to be strictly related to war needs. For example, Congress included funds for C-17 aircraft in order to keep the production line open though it's relationship to war needs is tenuous. Congress also agreed to fund the cost of equipping newly-configured Army and Marine Corps units — a pre-war initiative known as modularity or restructuring initiative — in the FY2005 and FY2006 supplemental (see section on reset below and CRS Report RL33900 on FY2007 Supplemental).

Typically, war funds do not include RDT&E or military construction because both activities take considerable time, and hence do not appear to meet an emergency criteria. In this respect, the Iraq and GWOT conflicts are breaking new ground. DOD is now receiving war funding for RDT&E in both specific programs and in the Joint IED Defeat Fund, a new account where DOD transfers funds after enactment with prior reporting to Congress.

In the FY2007 Supplemental, DOD is receiving an additional \$1.7 billion for military construction, almost doubling the previous peak in FY2005. Funding for military construction has been controversial for two reasons — concerns among some members that construction indicates an intent to set up permanent bases in Iraq and construction funding in the United States that is part of proposed plans to increase the size of the force, and not clearly an emergency. Although DOD has not ruled out retaining bases in Iraq, current guidelines limit the use of concrete structures and emphasize building relocatable units and the FY2007 Supplemental continues a prohibition on spending funds to set up permanent bases in Iraq.

Special Funds and the Flexibility Issue. Since the 9/11 attacks, Congress has relied on a variety of special accounts that give DOD additional flexibility to respond to the uncertainty of wartime needs. Congress has also been more willing to approve higher levels of transfer authority which allowing DOD to move funds into different accounts after enactment. The funding in these new accounts generally does not reflect troop levels or immediate operational needs.

Table 5 shows the funding provided in these flexible accounts including:

- Afghan and Iraq Security Forces Funds for training and equipping police and security forces;
- the Joint Improvised Explosive Device (IED) Defeat Fund for providing funds to be transferred to procurement, RDT&E, or operation and maintenance to develop and field solutions to the IED threat; and
- the Iraq Freedom Fund set up to cover war operations cost in the first year of the invasion and occupation (IFF);
- the Natural Resources Risk Remediation Fund set up to cover expected damage to Iraqi oil fields; and
- the Defense Emergency Response Fund (DERF).

Typically, Congress has given DOD latitude in how to use these funds and required after-the-fact quarterly reporting.

The Afghan and Iraq Security Forces Funds provide lump sums which DOD could then allocate between equipment and training needs. Similarly the Joint IED Defeat Fund allows DOD to decide where funds are needed to meet this threat. Although the new accounts are designated to meet particular goals, they are similar to funding flexibility given to DOD after the 9/11 attacks.

In the first two years after the 9/11 attacks, Congress gave DOD substantial leeway to move funds after enactment to meet war needs by appropriating funds to special accounts. Initially, DOD received \$17 billion in its Defense Emergency Response Fund (DERF), spending those funds in broadly defined allocations such as “increased situational awareness,” and “increased worldwide posture.”³² In the FY2002 Supplemental, Congress appropriated \$13 billion for war costs including \$11.9 billion in the DERF, transformed into a transfer account, with guidelines set in the conference report.³³

In the FY2003 Supplemental, Congress appropriated a total of \$77.4 billion in war funding, including \$15.6 billion in a new Iraq Freedom Fund (IFF) where DOD could transfer funds after enactment and then report to Congress.³⁴ Since FY2004, Congress has appropriated most war funds to specific accounts but has given DOD larger amounts of transfer authority where DOD can move funds after enactment with the consent of the four congressional defense committees (see **Table 5**) as well as setting up new transfer accounts for specific purposes such as training Iraqi security forces.

³² Congress appropriated \$20 billion in the government-wide Emergency Response Fund which could be spent by the president at his discretion (P.L.107-38). DOD also received another \$3.5 billion in the DERF but had to follow allocations that were set in the FY2002 DOD Conference report (H.Rept. 107-350, p. 423).

³³ H.Rept. 107-593, p. 17 and 128.

³⁴ Congress rescinded \$3.5 billion of the \$15.6 billion originally appropriated to the IFF and included ceilings for certain purposes, such as intelligence, within the total.

Congress has also set caps or ceilings on funding within O&M accounts for specific purposes rather than set program limits. These include funding for

- various types of coalition support which pays U.S. allies for their logistical support in counter-terror operations related to OIF and OEF or other counter-terror operations; and
- Commanders Emergency Response Program (CERP) for small reconstruction projects selected and run by individual commanders;

The issue for Congress is the amount of flexibility to give DOD to meet needs which it cannot define when appropriations are provided.

DOD Spending Thus Far

Average monthly obligations are frequently used as a way to measure the rate of ongoing war spending. As of November 2006, DOD estimated that war-related obligations total \$372 billion and are about \$10 billion including \$8.6 billion for Iraq and \$1.4 billion for Afghanistan (see **Table 6** below). (This and the following sections will be revised in a later update to reflect more recent data.)

Although these figures capture DOD's contractual obligations for pay, goods, and services, they do not give a complete picture because they do not capture all appropriated funds or all funds obligated. DOD acknowledges that these figures do not capture over \$30 billion in classified activities. Other funds — such as those to create more modular units — may also not be captured in Defense Finance Accounting Service (DFAS) reports because the services treat these as part of DOD's regular programs.

Obligations figures also do not reflect outlays — or payments made when goods and services are delivered — which would be a better measure of spending rates and actual costs. DOD does not track outlays for its war costs because war-related appropriations are mixed with regular or baseline funds in the same accounts making it difficult to segregate the two. If DOD had separate accounts for war and peace costs, outlays could be tracked, which would capture the amount spent and give a better sense of actual spending rates.

Table 6 below shows CRS estimates of obligations rates after adjusting DOD accounting reports to add classified and other unreported war-related activities.³⁵ Average obligations are a better indicator of ongoing operational costs than investment costs because these funds must be obligated — put on contract — within the first year. For investment costs, average monthly obligations lag appropriated budget authority because only some funds are obligated in the first year because of the time for the planning and negotiation of contracts.

³⁵ Averages correct for monthly fluctuations which may reflect when individual contracts are signed. Operational costs include working capital funds, defense health, and counterdrug monies and investment costs include procurement, RDT&E and military construction.

Changes in Average Monthly Obligations. Based on CRS estimates, average monthly obligations grew by about 40% between FY2003 and FY2006 from \$6.2 billion to \$8.8 billion with the most rapid increase being in Iraq costs. Monthly obligations for OEF have hovered around \$1 billion a month while Iraq costs increased from \$4.4 billion to \$7.4 billion in four years. In that time, investment obligations — primarily procurement — has jumped over five-fold as the services have begun to spend substantial amounts on procurement of new weapons systems to replace war-worn equipment and losses from combat, enhance force protection, and upgrade equipment. (CRS lowered earlier estimates for FY2006 to reflect reported obligations rather than estimates.)

Investment spending slowed temporarily in FY2006 and jumped sharply with the beginning of the new fiscal year. That rate is likely to remain high as substantial procurement appropriations received in recent years is obligated, and as operational costs grow with the higher troop strength in both Iraq and Afghanistan in FY2007.

Table 6. DOD's Obligations by Operation: FY2001-November 2006

(in billions of dollars)

	Average monthly obligations ^a						DOD Reported Cum. Obs from FY01- Nov. 06
Mission and type of spending	FY03	FY04	FY05	FY06	FY06 DFAS Reported	FY07 (Nov. 06)	
Operation Iraqi Freedom							
Operations ^b	4.2	4.3	4.7	5.9	5.8	6.1	NA
Investment ^c	0.2	0.6	1.8	1.4	1.1	2.5	NA
Total	4.4	4.8	6.5	7.4	7.0	8.6	276.0
Afghanistan and the Global War on Terror ^d							
Operations ^b	1.1	0.9	0.9	1.2	1.1	1.4	NA
Investment ^c	0.2	0.1	0.2	0.2	0.1	0.0	NA
Total	1.3	1.0	1.1	1.4	1.2	1.4	69.0
Enhanced security and other ^e							
Operations ^b	0.5	0.3	0.2	0.1	0.1	0.0	NA
Investment ^c	0.0	0.0	0.0	0.0	0.0	0.0	NA
Total	0.5	0.3	0.2	0.1	0.1	0.0	27.0
All missions							
Operations ^b	5.8	5.5	5.8	7.2	7.0	7.5	NA
Investment ^c	0.4	0.7	2.0	1.7	1.2	2.5	NA
Total	6.2	6.2	7.7	8.8	8.2	10.0	372.0

Notes: NA = Not available. Numbers may not add due to rounding. CRS revised previous estimate downward to reflect actual obligations reports rather than estimates.

- a. CRS calculations based on obligations during each fiscal year from all available funds as reported by the Defense Finance Accounting Service plus CRS estimates for intelligence and other unreported costs.
- b. Includes funds appropriated for military personnel, operation and maintenance, working capital, and defense health.
- c. Includes funds appropriated for procurement, RDT&E, and military construction.
- d. Operation Enduring Freedom funds Afghanistan and other global war on terror (GWOT) activities.
- e. 'Enhanced security and other' includes additional security at defense bases, combat air patrol around U.S. cities, and reconstruction of the Pentagon after the 9/11 attacks.

In the most recent DFAS reports for October and November 2006, obligations are running about \$10 billion a month with Iraq at \$8.6 billion and Afghanistan at \$1.4 billion.³⁶ Average monthly obligations for Afghanistan and other GWOT operations have also jumped in the first months of FY2007.

The monthly average for enhanced security (Operation Noble Eagle) has fallen substantially from \$520 million per month in FY2003 to less than \$100 million in FY2006 as one-time costs ended, and costs have been incorporated in day-to-day base operations.

Total Obligations to Date. DOD reports that of the \$372 billion in reported obligations since FY2003:

- \$276 billion or 74% is for Iraq;
- \$69 billion or 24% is for Afghanistan and other GWOT; and
- \$27 billion or 7% is for enhanced security (see **Table 6**).

This does not include obligations for intelligence or other expenses that are included in CRS estimates but not captured by DOD's DFAS reports.

Average Cost Per Deployed Troop and Estimates of Future Costs

To give another window into trends and how changes in troop levels may affect costs, CRS estimated the average annual cost for each deployed troop — showing operational and investment costs separately. Because only some costs (e.g., for meals, body armor, operating tempo, and ammunition) are likely to vary in proportion with troop levels, the average cost per troop cannot be used to directly estimate the cost of alternate troop levels (see **Table 7**).

³⁶ CRS estimates would be somewhat higher.

**Table 7. Average Annual Cost Per Deployed Troop:
FY2003-FY2006**

Average Troop Strength & Obligations	FY03	FY04	FY05	FY06	Change Since FY2003
Number of deployed troops ^a	225,800	219,600	258,800	269,300	19%
Average annual obligations in 000s of \$	\$320,000	\$340,000	\$350,000	\$390,000	22%
Operational costs ^b	\$300,000	\$300,000	\$270,000	\$325,000	9%
Investment costs ^c	\$20,000	\$40,000	\$80,000	\$65,000	215%

Notes and Sources: Numbers rounded. CRS calculations based on average deployed troop strength from the Defense Manpower Data Center (DMDC) and costs from Defense Finance Accounting Service, *Supplemental & Cost of War Execution Reports*, FY2003-FY2006 with CRS estimates of unreported expenses. DMDC troop strength does not separate Iraq and OEF.

- a. Does not include additional activated reservists who are training up for deployments, backfilling for active-duty personnel or providing additional security at bases. DMDC figures do not separate military personnel in OIF and OEF.
- b. Includes military personnel and operation and maintenance costs.
- c. Includes procurement, RDT&E, and military construction costs.

Some costs would rise or fall immediately as troops are withdrawn (e.g., meals served, fuel consumed, spare parts replaced), whereas other costs would change more slowly (e.g., utilities costs, building maintenance, equipment wear and tear). Still other costs would temporarily increase, such as transportation costs to ship personnel and equipment back to the United States. Over time, however, support costs would begin to change in proportion with personnel levels if higher troop levels persist or if troops are withdrawn.

Since FY2003, the average cost per deployed troop has risen from about \$320,000 to \$390,000 per deployed troop.³⁷ While that increase reflects primarily more spending for procurement — for replacement and upgrading of equipment — operational costs have also grown (see **Table 7**).

Estimates of Future Costs. CBO developed two alternative paths for the future cost of the Global War on Terror — both Iraq and OEF — in its FY2008 budget outlook. Under the faster drawdown scenario, troop levels and costs would decline from current levels to 30,000 troops by FY2010. Concurrently, costs would decline from \$149 billion in FY2007 (lower than DOD's request of \$163 billion) to

- \$124 billion in FY2008;
- \$78 billion in FY2009;
- \$42 billion in FY2010;

³⁷ CRS revised these costs because of better data on average deployed troop levels received recently from the Defense Manpower Data Center. Because this data does not segregate military personnel by OIF and OEF, CRS includes only one figure for both.

- \$26 billion in FY2011; and
- \$20 billion each year from FY2012 through FY2017.

Under the more gradual drawdown scenario, troop levels would decline from current levels to 75,000 troops by FY2013. Costs would decline from \$149 billion this year to

- \$144 billion in FY2008;
- \$133 billion in IFY2009;
- \$112 billion in FY2010-;
- \$91 billion in IFY2011;
- \$71 billion in FY2012; and
- about \$58 billion a year for FY2013 through FY2017.³⁸

CBO did not estimate a more rapid withdrawal of troops. Congress may want to ask DOD to estimate the cost of alternate troop levels in Iraq and Afghanistan.

Major War Cost Issues in the 110th Congress

Several issues may arise in congressional debate about war costs and the FY2007 Supplemental and the FY2008 war request:

- the lack of transparency in war costs;
- congressional mechanisms for affecting troop levels;
- defining reset and upgrade requirements; and
- readiness problems.

All these issues are made more difficult by the limitations, gaps and discrepancies in DOD information on war costs.

Transparency Issues

Although DOD has testified frequently and submitted various reports on Iraq and the global war on terror, information and explanations of changes in the cost of OIF and OEF have been limited, incomplete, and sometimes inconsistent. Until the FY2007 Supplemental and FY2008 War Cost request, DOD has submitted very little information to buttress its requests. Both the Iraq Study Group and CBO have criticized DOD's presentation of cost data for Iraq and the global war on terror.

The Iraq Study Group called the administration's requests "confusing making it difficult for both the general public and members of Congress," to know, something

³⁸ See Table 1 in CBO, Letter to Senator Kent Conrad, "Estimated Funding for Operations in Iraq and the War on Terrorism," February 7, 2007; [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>].

that “should be a simple question” such as the amount requested for Iraq operations.³⁹ CBO pointed out that DOD’s justification materials have been sparse — for example, DOD provided five pages to justify \$33 billion in operation and maintenance spending, about half of the FY2006 supplemental request.⁴⁰

Because few details are included, CBO notes the difficulty in determining the basis of DOD requests and estimating alternatives. And because appropriations for war are mixed with DOD’s baseline budget, information about “what has actually been spent,” or outlays is not available. That information is important for estimating the cost of alternate future scenarios and also for showing the effect of war costs on the federal deficit.⁴¹

Gaps and Discrepancies. CRS, CBO, and GAO have all found various discrepancies in DOD figures — including understating budget authority and obligations, mismatches between BA and obligations data, double-counting of some obligations, questionable figures, and a lack of information about basic factors that affect costs such as troop strength or operating tempo metrics.⁴²

For example, DOD does not count about \$7 billion from its FY2003 regular appropriations act that was intended for GWOT but that it cannot track. CRS and CBO both include these funds. In 2005, GAO also found that DOD planning documents included \$10 billion for each year GWOT for the next five years that also cannot be identified.⁴³ CRS also found that about \$2.5 billion used by DOD to prepare for the invasion of Iraq came from previously appropriated funds available to DOD before Congress passed the resolution approving the use of force in Iraq.⁴⁴

³⁹ James A. Baker, III, and Lee H. Hamilton, Co-Chairs, *The Iraq Study Group Report* (New York: Vintage Books) 2006, p. 91.

⁴⁰ Testimony of Robert A. Sunshine, CBO, before the House Budget Committee, January 18, 2007, p. 5.

⁴¹ *Ibid.*, p. 5 and p. 6. CBO has estimated war-related outlays, and presumably DOD and OMB do as well though separate outlays for war are not shown in the budget.

⁴² GAO, *FY2004 Costs for Global War on Terrorism Will Exceed Supplemental*, July 2004, at [<http://www.gao.gov/new.items/d04915.pdf>] ; GAO-05-882, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, September 2005; [<http://www.gao.gov/new.items/d05882.pdf>]; CBO, Testimony before the House Budget Committee, January 18, 2007.

⁴³ Government Accountability Office, *Global War on Terrorism: DoD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, GAO-05-882, September 2005, pp. 33, 35; [<http://www.gao.gov/new.items/d05882.pdf>].

⁴⁴ A DOD table attributes \$2.5 billion in funds for Iraq to years before FY2003, probably from the first two war supplementals (P.L. 107-38 and P.L. 108-206), which were to “respond to the terrorist attacks,” of September 11th and “to continue the global war on terrorism....” These funds probably included the \$700 million that according to Bob Woodward’s book, *Plan of Attack*, President Bush used to upgrade facilities and prepare for the war in Iraq in the summer of 2002 before passage of the joint resolution authorizing the use of force in Iraq. This account was disputed by then-Deputy Defense Secretary Wolfowitz.

Both CRS and CBO also include transfers from DOD's regular accounts to cover war costs.⁴⁵ DOD does not include transfers in the total for war appropriations of \$455 billion in its FY2007 Supplemental justification. At the same time, however, the figures in its justification show that obligations exceeded budget authority by \$2 billion in FY2001 and \$4 billion in FY2004, a gap presumably met through transfers from DOD's regular appropriations.⁴⁶

DOD's FY2007 justification also acknowledges that its reporting of obligations does not include \$27 billion in intelligence funding. About \$10 billion in funding for modularity also appears not to be included. With incomplete obligations data, it is difficult to know how much funding is available or carried over from previous years, a figure typically used to evaluate whether new requests for procurement and Research, Development, Test and Evaluation (RDT&E) are urgent.

For example, using only DFAS reports, DOD's carryover from previous appropriations would be about \$14 billion for funds appropriated in FY2004, FY2005, and FY2006 and another \$14 billion in unobligated procurement monies in the FY2007 bridge. That would suggest that DOD has considerable carryover in investment funds, which could raise questions about whether additional funds are urgently needed at this time. At the same time, DFAS reports show few recent obligations from these earlier years, which suggest that these funds may not be captured in its reports.⁴⁷

For the first time, DOD's FY2007 supplemental request shows the full year's funding if the request is enacted and including previously enacted bridge funds and compares those figures to FY2006, a considerable improvement over previous requests. Unfortunately, the request uses the standard categories for military personnel and O&M its war request rather than the DFAS categories developed specifically for contingency reporting. For the Army, in particular, this means that \$35 billion is characterized as "Additional Activities," the Army's standard cost category for contingencies, with limited explanation for the factors driving those costs.⁴⁸ Also, by not showing DFAS categories, it is difficult and often impossible to compare the current request with spending before FY2006.

Both CBO and GAO have also raised concerns that DOD obligations reporting classifies large portions of funding as "other services and miscellaneous contracts," a category too vague to be useful. Because DOD has provided few performance

⁴⁵ See CBO, "Estimated Funding for Operations in Iraq and the War on Terrorism," August 25, 2006; [http://www.cbo.gov/ftpdocs/75xx/doc7506/GWOT_Tables_2006_08.pdf].

⁴⁶ DOD, *FY2007 Supplemental*, p. Figures 1 and 2, p. 93 and p. 94. CRS now includes this additional \$2 billion in total war BA.

⁴⁷ CRS calculations from DFAS, *Supplemental & Cost of War Execution Reports*, September, FY2004, FY2005, and FY2006.

⁴⁸ Department of the Army, *Global War on Terrorism (GWOT)/Regional War on Terrorism (RWOT), FY2007 Supplemental Budget Estimate*, Volume 1, February 2007; [<http://www.asafm.army.mil/budget/fybm/fy08-09/sup/fy07/oma-v1.pdf>].

metrics and limited detail on costs and no outlay figures, estimates of the cost of alternative troops levels are difficult to make.⁴⁹

Uncertainty About Figures. DOD has also periodically revised the figures shown for each operation in previous years suggesting questions about the validity of its figures.⁵⁰ CRS has used figures from DOD briefings, DFAS reports, and most recently, the FY2007 Supplemental justification to build its estimates. For example, DFAS reports originally showed \$38 billion in obligations for Iraq in FY2003. DOD later revised this estimate to \$42.4 billion. Most recently, DOD now shows \$48 billion, which include not only additional obligations reported by DFAS but also \$2 billion from some unknown source.⁵¹

The Comptroller General of GAO testified that the lack of actual costs, adequate supporting documentation, and reporting problems “make it difficult to reliably know what the war is costing, to determine how appropriated funds are being spent, and to use historical data to predict future trends.”⁵² An audit by the Department of Defense Inspector General might be a way to resolve these various gaps and discrepancies in cost data. Despite these problems, the DFAS reports are the main figures available that capture past costs and can be used to project future costs. DOD has not been willing to provide Congress with other tools, such as the model the services use to predict operating costs, which reflects assumptions about operating tempo, personnel levels and many other factors.⁵³

Congressional Ways to Affect Military Operations

As interest in alternate policies for Iraq has grown, Congress may turn to the Vietnam and other experience to look for ways to affect military operations and troop levels in Iraq. In the past, Congress has considered both funding and non-funding options. Generally restrictions tied to appropriations have been more effective. For more detail about past restrictions, see CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and*

⁴⁹ CBO, Letter to Senator Conrad, Estimated Funding for Operations in Iraq and the Global War on Terror, February 7, 2007. [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>].

⁵⁰ CRS has used figures from DOD briefings, DFAS reports and supplemental justification materials to build its estimates. Figures are seldom consistent.

⁵¹ Office of Secretary of Defense, Comptroller, Table with corrected DFAS figures; see DOD, *FY2007 Supp*, Figure 2 for new obligations figures, p. 93; DFAS reports for September 2004, FY2005, and FY2006 include additional obligations for OIF from FY2003 monies.

⁵² GAO, Testimony of David Walker, Comptroller General before the Subcommittee on National Security, Emerging Threats and International Affairs, “Global War on Terror: Observations on Funding, Costs, and Future Commitments,” July 18, 2006, p. 3 and 4; [<http://reform.house.gov/UploadedFiles/Final%20GAO%20Walker%20Testimony.pdf>].

⁵³ DOD’s Contingency Operations Support Tool (COST) model is used to predict most operating costs.

Kosovo: Funding and Non-Funding Approaches, by Amy Belasco, Hannah Fischer, Lynn Cunningham, and Larry Niksch. For information about recent proposals to restrict military operations, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes* by Stephen Daggett et al.

Funding options generally prohibit the obligation or expenditure of current or previously appropriated funds. Obligations occur when the government signs a contract to buy goods or services or pays its military or civilian personnel. Expenditures, or outlays, take place when the contractor or employee is paid.

Funding provisions fall into several patterns including those that:

- cut off funding for particular types of military activities but permit funding for other activities (e.g., prohibiting funds for combat activities but permitting funds to withdraw troops);
- cut off funds as of a certain date in a specific country;
- cut off funds “at the earliest practical date,” which essentially gives the president leeway to set the date;
- cut off funds if certain conditions are met (such as a new authorization) or certain events take place (such as the release of U.S. prisoners of war).

Other non-funding provisions have required that:

- troops be withdrawn by a specified date in the future or at the “earliest practical date;”
- funds be withdrawn unless there was a declaration of war or a specific congressional authorization of the war activities;
- previous congressional resolutions authorizing military activities be repealed.

One or both houses may also state a “sense of the Congress” that U.S. military operations should be terminated or forces withdrawn, a non-binding resolution that does not need to be signed by the president.

While only a handful of provisions have been enacted, Congressional consideration of these various limiting provisions placed pressure on the administration and thus influenced the course of events. For example, one provision that prohibited the introduction of U.S. ground troops into Cambodia was enacted in 1970 after U.S. forces had invaded and then been withdrawn from Cambodia; that provision was intended to prevent the re-introduction of troops.

Although President Nixon did not re-introduce U.S. troops, the United States continued to bomb Cambodia for the next three years. Later in 1973, Congress passed two provisions that prohibited the obligation or expenditures of “any funds in this or any previous law on or after August 15, 1973” for combat “in or over of from off the

shores of North Vietnam, South Vietnam, Laos or Cambodia.”⁵⁴ The final version reflected negotiations between the administration and Congress about when the prohibition would go into effect with August 15, 1973 set in the enacted version and bombing did stop on that day.

Two well-known proposals that were not enacted — the Mc-Govern-Hatfield amendment and the Cooper-Church amendments were also part of this jockeying between the administration and Congress. The first prohibited expenditure of previously appropriated funds after a specified date “in or over Indochina” except for the purpose of withdrawing troops or for protection of U.S. troops during the withdrawal while the second prohibited the expenditure of any funds after July 1, 1970 to retain troops in Cambodia “unless specifically authorized by law hereafter.”⁵⁵

Generally, Congress continued to provide funds for U.S. troops in Vietnam at the requested levels that decreased as the Nixon Administration reduced troop levels. Overall, funding restrictions have generally proven more effective than the War Powers Act, which has been challenged by the executive branch on constitutional grounds.⁵⁶

The FY2007 Supplemental and the FY2008 War Request

Congressional leaders have promised more scrutiny of the Administration’s requests for a FY2007 Supplemental and FY2008 war costs. For FY2008, the Administration is requesting \$141.7 billion for war costs, somewhat less than in FY2007 but about 20% more than in FY2006.

Although the Administration would classify its request as emergency funds, much of the request would not seem to meet the traditional definition of emergency — as an urgent and “unforeseen, unpredictable, and unanticipated” need — though defense requests in the past have not been held to that standard.⁵⁷

DOD Changes Definition of War Costs. For the past ten years, DOD financial regulations have defined the cost of contingencies to include only incremental costs directly related to operations. Until October 2006, that guidance was used by the services to prepare their estimates for Iraq and GWOT. The guidance

⁵⁴ One provision was included in both P.L. 93-52, the Continuing Appropriations Act of 1974 and the Second Supplemental Appropriations Act of 1973, P.L. 93-50, both enacted July 1, 1973; see CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*, by Amy Belasco, Hannah Fischer, Lynn Cunningham, and Larry Niksch.

⁵⁵ See *ibid.*, Table 1. For a discussion of the legal issues, see CRS Report RL33837, *Congressional Authority to Limit U.S. Military Operations in Iraq*, by Jennifer K. Elsea and Thomas J. Nicola.

⁵⁶ See CRS Report RS20775, *Congressional Use of Funding Cutoffs Since 1970 Involving U.S. Military Forces and Overseas Deployments*, by Richard F. Grimmett.

⁵⁷ CRS Report RL33405, *Defense: FY2007 Authorization and Appropriations*, by Stephen Daggett.

requires that the service show assumptions about troop levels, operational tempo, and reconstitution and limits requests to incremental costs — “that would not have been incurred had the contingency operation not been supported.” Investment requests are also to be incremental and included “only if the expenditures were necessary to support a contingency operation.”⁵⁸

In the July 19, 2006 guidance to the services for developing the FY2007 Supplemental and FY2008 war cost requests, these strictures were re-iterated. That guidance also prohibited including Army modularity “because it is already programmed in FY2007 and the outyears,” and warned that the services would have to demonstrate that investment items were “directly associated with GWOT operations,” rather than to offset “normal recurring replacement of equipment.” In addition, the services would have to show that reset plans could be executable in FY2007, likely to mean within the last several months of the fiscal year based on experience in FY2006.⁵⁹

On October 25, 2006, Deputy Secretary of Defense England issued new guidance for requesting war funds to the services, requiring them to submit new requests within two weeks that reflect the “longer war on terror” rather than strictly the requirements for war operations in Iraq, Afghanistan and other counter-terror operations. Such a substantial change would be expected to reflect guidance from the Secretary of Defense, the Office of Management and Budget and the president. This new definition opens the way for including a far broader range of requirements particularly since the needs of the “longer war” are relatively undefined.

In its review of the FY2007 Supplemental, the appropriators rejected certain procurement and depot maintenance requests as either unexecutable or not clearly an emergency (see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes* by Stephen Daggett et al). Since the long war on terror is now part of DOD’s key missions according to the national strategy, it could be argued that these types of expenses should be included in DOD’s regular budget where they would compete with other defense needs.

Procurement Requests In the FY2007 Emergency Supplemental.

Both the FY2007 Supplemental and the FY2008 War cost requests include large increases in procurement funding — from \$20.4 billion in FY2006 to \$39.7 billion in FY2007 and \$32.9 billion in FY2008. Much of this increase appears to be a response to the new England guidance to fund requirements for the “longer war” rather than DOD’s traditional definition of war costs as strictly related to immediate war needs.

For example, the Navy initially requested \$450 million for six EA-18G aircraft, a new electronic warfare version of the F-18, and the Air Force \$389 million

⁵⁸ DOD, *Financial Management Regulations*, Chapter 12, Sec. 23, “Contingency Operations,” p 23-11ff, 23-21, 23-25, 23-27; [http://www.dod.mil/comptroller/fmr/12/12_23.pdf].

⁵⁹ Under Secretary of Defense, Memorandum for Secretaries of the Military Departments, “Fiscal Year (FY) 2008-2013 Program and Budget Review,” July 19, 2006, p. 34-49, specifically p. 36, 39, 41.

for two Joint Strike Fighters, an aircraft just entering production; such new aircraft would not be delivered for about three years and so could not be used meet immediate war needs. Other new aircraft in DOD's supplemental request include CV-22 Ospreys and C-130J aircraft. In its March amendment to the FY2007 Supplemental, the Administration recently withdrew several of these requests, reflecting the likelihood that Congress would cut these aircraft were truly incremental war expenses.

Front Loading Reset Funding. The FY2007 Supplemental also includes about \$14 billion for reset — the replacement of war-worn equipment. DOD's request appears to front load (or fund in advance) DOD's reset requirements, a fact acknowledged by OMB Director Portman in recent testimony.⁶⁰ According to DOD figures, Army and Marine Corps reset requirements were fully met in the already enacted FY2007 bridge fund when Congress provided \$23.7 billion for Army and Marine Corps reset costs, the amount that the services said was needed.⁶¹

As substantial amounts of equipment are being sent back to the United States for repair, the Army and Marine Corps would be expected to be able to check previous estimates of the effect of current operations on wear and tear of equipment. As of this year, the Army and Marine Corps have received a total of \$50 billion for reset. Reset is defined as the "process of bringing a unit back to full readiness once it has been rotated out of a combat operation," by repairing and replacing equipment and resting and retraining troops.⁶² The services are to repair equipment if economical or replace it if replacement costs almost as much as repair.

The FY2007 Supplemental and the FY2008 war request both appear to include an extra year of Army and Marine Corps reset requirements — estimated to be \$12 billion to \$13 billion a year as long as the conflict lasts at the current level and "for a minimum of two to three years beyond" according to recent statements by Army Chief of Staff, General Peter J. Schoomaker.⁶³ The front loading of requirements may be an attempt by the services to avoid being in the position of requesting reset funds after U.S. troops have started to withdraw.

Although it is clear that reset requirements will reflect the stress on equipment from operations, the validity of the Army's estimates has not been tested. Recently,

⁶⁰ Testimony of OMB Director Portman before the House Budget Committee, *Hearing on the FY2008 DOD Budget*, February 6, 2007, p. 41 of transcript.

⁶¹ See table inserted by Senator Stevens in *Congressional Record*, August 2, 2006, p. S8571 showing \$23.7 billion for reset, including \$14 billion in procurement; total funded also provided \$4.9 billion for unfunded FY2006 requirement; see also DOD's *Report to Congress, Long-Term Equipment Repair Costs*, September 2006.

⁶² Office of the Secretary of Defense, Report to Congress, *Ground Force Equipment Repair, Replacement, and Recapitalization Requirements Resulting from Sustained Combat Operations*, April 2005, p. 8; see also GAO-06-604T, *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps*, p. 3.

⁶³ Statement of Peter J. Schoomaker, Chief of Staff, Department of the Army, before the House Armed Services Committee, "Reset Strategies for Ground Equipment and Rotor Craft," June 27, 2006, p.2

GAO testified that until FY2007, the Army could not track reset or ensure that funds appropriated for reset were in fact spent for that purpose.⁶⁴ Congress may want to decide whether front loading these costs is advisable given the uncertainty of requirements. In addition, presumably much of the equipment that is being repaired now because of the effect of war operations, was originally slated for repair or replacement at a later date, and so is being repaired or replaced sooner than anticipated. That could mean DOD's baseline budget could be reduced to offset war funding already provided.

Reset requirements may also be uncertain because the number of troops and intensity of operations may change. In an earlier estimate last spring, the Army estimated that reset requirements would decrease from \$13 billion a year to \$10.5 billion a year for the next two years and then decline to \$2 billion the year if troops were withdrawn over a two-year period.⁶⁵ DOD's estimates have also changed over time; in March 2005, CBO estimated that annual repair and replacement costs would run about \$8 billion a year based on the current pace of operations and service data.⁶⁶

DOD's definition of reset now includes not only replacing battle losses (typically about 10% of the total), equipment repair (about half) but also recapitalization that typically upgrades current equipment and repair and replacement of prepositioned equipment stored overseas that has been tapped to meet war needs. The Army has been planning to recapitalize equipment and modernize prepositioned equipment stocks to match the new modular designs as part of its ongoing modernization. For this reason, it's not clear whether these expenses are legitimately incremental wartime requirements.

Modularity As An Emergency Expense. The distinction between war-related and regular funding has also been made murky by DOD requests to treat conversion of Army and Marine Corps units to new standard configurations — known as modularity and restructuring — as a war requirement. For example, at DOD's request, Congress agreed to provide \$5 billion in the FY2005 and in FY2006 supplementals for converting units with the understanding that DOD would move these funds back to its regular budget in later years. The FY2007 supplemental again included \$3.6 billion to convert two Army brigade teams and create an additional Marine Corps regimental combat team so Congress will have an opportunity to decide whether the war-related label is appropriate or whether funds that are part of DOD's regular requirements are being shifted to emergency funding.

DOD argued that these costs should be considered war-related because they claim that having more modular units makes it easier to rotate units to the war zone and hence would extend the time between deployments, give soldiers more time at

⁶⁴ GAO-07-439T, Testimony of William Solis before the Subcommittee on Readiness and Air and Land Forces, House Armed Services Committee, January 31, 2007, p. 2 and 3.

⁶⁵ Army Briefing, "Army equipment Reset Update," May 18, 2006, p. 8.

⁶⁶ CBO Testimony by Douglas Holtz-Eakin, Director, "The Potential Costs Resulting from Increased Usage of Military Equipment in Ongoing Operations," before the Subcommittee on Readiness, House Armed Services Committee April 6, 2005, p. 2.

home (“dwell time) and hence improve readiness. This conclusion has been questioned in studies by both CBO and the RAND. Both studies found that modularity would only marginally improve rotation schedules, suggesting that the basic rationale may be weaker than typically presented. CBO estimated that the Army’s modularity initiative would only make available an additional 6,000 to 7,000 troops.⁶⁷

Congress included the funds in the FY2005 and FY2006 with some reluctance (effectively giving the Army more room in its regular budget for two years) based on an understanding with DOD that this funding would return to the regular budget after FY2006 and that \$25 billion was set aside for the Army in future years to cover these costs.⁶⁸

DOD does not estimate the effect of either its previous or new funding for modularity on the amount of time soldiers have at home between deployments.

Growing the Force as a War Cost. Previously, Congress has provided funding to cover “overstrength” or the cost of recruiting and retaining additional personnel above the Army’s pre-war end strength of 482,000 and the Marine Corps end strength of 175,000. DOD argued that these increases were required to reduce the stress on forces and that the increases would be temporary. In January 2007, the president announced plans to permanently increase the size of the Army and Marine Corps by 92,000 over the next six years including the almost additional 30,000 personnel already on board.

The FY2007 supplemental included a total of \$4.9 billion to cover the military personnel cost of additional troops plus \$1.7 billion for equipment and infrastructure for the forces to be added in FY2007. DOD promises that funding to equip future increases in the force will be funded in the regular budget starting in FY2009.

In a reversal of its previous position, DOD now argues that the Army and Marine Corps need to be permanently expanded by 92,000 by 2012. The president’s proposal marks a major change and appears to assume that the United States needs to be able to deploy substantial numbers of troops on a permanent basis. CBO estimates that adding two divisions to the Army — roughly equivalent to the president’s proposal — would require an additional \$108 billion between FY2008 and FY2017, a major investment.⁶⁹

⁶⁷ The RAND study argued that the types of units created were not those most needed and CBO found that the number of additional troops available would be only 6,000 to 7,000. RAND, *Stretched Thin: Army Forces for Sustained Operations*, 7-15-05; [http://www.rand.org/pubs/monographs/2005/RAND_MG362.pdf]. CBO, *An Analysis of the Military’s Ability to Sustain an Occupation in Iraq: an Update*, October 5, 2005; [<http://www.cbo.gov/ftpdocs/66xx/doc6682/10-05-05-IraqLetter.pdf>].

⁶⁸ Program Budget Decision 753, “Other Secretary of Defense Decisions,” December 23, 2004, p. 1.

⁶⁹ CBO, *Budget Options*, February 2007, p.9-10; [<http://www.cbo.gov/ftpdocs/>]
(continued...)

Questions About War-Related Procurement Issues. To evaluate DOD's war-related procurement requests, Congress may want to consider

- whether reset requirements are sufficiently firm to justify front loading and what assumptions about force levels and the pace of operations underlie those requests;
- whether upgrading equipment and replacing prepositioned equipment is legitimately a war expense rather than part of ongoing modernization initiatives already underway;
- how war funding of repair and replacement of equipment could affect maintenance and procurement needs funded in DOD's regular budget;
- whether upgrades requested reflect requirements of to equip deployed or deploying forces — war-related — or the entire force; and
- whether DOD estimates of war requirements for force protection reflect war-related requirements for deploying forces or modernization of the entire force.

To some extent, these war-related requirements for recapitalization, modularity, force protection, and upgrades overlap with each other and with the baseline budget since all involve the purchase of new equipment to improve capability. Since DOD is constantly modernizing, some of the funding for these requirements may have been assumed in estimates for the later years of DOD's baseline budget. DOD appears to have shifted some of its baseline requirements to war requests because those are likely to be more readily approved.

Shifting funding from the regular budget to emergency funding is attractive because DOD's emergency spending has not been subject to budget caps, allowing the services to substitute other less urgent requirements in their baseline budgets. On the other hand, DOD consistently faces budget pressure from unanticipated increases in the cost of DOD's new weapon systems tend to rise.

The FY2007 Supplemental also includes a more than doubling of the amounts for force protection, and substantial increases in funding Iraq and Afghan Security Forces as well as over \$1 billion for military construction funding in FY2007. See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al. for additional information and updates on these and other war issues.

Potential Readiness Issues

In recent months, service representatives and members of Congress have raised concerns about current readiness levels, particularly the Army's ability to respond to the full range of potential war scenarios with trained personnel and fully-operational equipment, a concern recently reiterated to Congress by General Pace, Chair of the

⁶⁹ (...continued)

78xx/doc7821/02-23-BudgetOptions.pdf].

Joint Chiefs of Staff.⁷⁰ According to reports, current Army readiness rates have declined to the lowest levels since the end of the Vietnam war with roughly half of all Army units, both active and reserve, at the lowest readiness ratings for currently available units.⁷¹

Because DOD's standard ratings (known as C-ratings) assess readiness relative to the full range of standard wartime scenarios, however, they do not necessarily reflect whether units are ready to deploy to Iraq and Afghanistan to conduct counterinsurgency operations. For example when asked about his readiness concerns during a hearing of the House Armed Services Committee, General Schoomaker, Chief of Staff of the Army stated that "I have no concerns about how we are equipping, training and manning the forces that are going across the berm into harm's way. But I do have continued concerns about the *strategic depth* of the Army and its readiness, [*italics added*]" referring to other potential missions of the Army.⁷²

General Schoomaker's testimony may reflect an alternate DOD readiness system that assesses units about to deploy to carry out missions that are not their traditional ones. In this circumstance, the services use an alternate readiness reporting system known as "Percent Effective" or PCTEF. Unlike standard ratings, which largely reflect specific quantitative criteria, percent effectiveness ratings reflect a "subjective assessment of the unit's ability to execute its currently assigned 'nontraditional' mission."⁷³ Unit commanders are to judge whether the unit has the required resources and is trained to carry out all (a rating of (1), most (2) , many but not all (3), or requires additional resources (4) to carry out its specific assigned mission.)⁷⁴

According to reports, however, the Army is facing shortages of certain equipment and personnel for state-side units who are currently either training up so as to deploy at a later date or are part of the strategic reserve who could be called upon should other contingencies arise elsewhere. Such shortages could affect a unit's ability to train and be fully prepared for its various missions. At the same time, some training limitations that are captured in a unit's standard readiness ratings — for example, for large-scale combat operations — may not affect a unit's ability to conduct counter-insurgency operations in Iraq or Afghanistan. General Schoomaker acknowledged that for deploying units, "there is important equipment that is only

⁷⁰ Washingtonpost.com, "General Pace: Military Capability Eroding," February 27, 2007.

⁷¹ U.S. House of Representatives, Committee on Appropriations — Democratic Staff, "United States Army Military Readiness," September 13, 2006, pp. 2-4.

⁷² Transcript of hearing before House Armed Services Committee, "Hearing on Iraq Policy Issues: Implications of the President's Policy for Readiness, the Total Force and Strategic Risk," January 23, 2007, p. 10.

⁷³ Joint Chiefs of Staff, "Chairman of the Joint Chiefs of Staff Manual 3150.02A", p. J-4.

⁷⁴ *Ibid.*

available in Kuwait that they must train on before they cross the berm,” that is training conducted shortly before final deployment in-country.⁷⁵

Another readiness concern is the fact that some active duty members are redeploying with less than a year at home to rest and retrain raising concerns that members may choose not to re-enlist which could create problems in meeting recruitment and retention goals. Although there were some shortfalls in FY2005, the Army was only 1% short of meeting its FY2006 goal of recruiting 186,000 personnel for its active-duty and reserve forces, and retention continues to exceed goals.⁷⁶

While some units re-deploy within a year, many of the individuals that make up those units are no longer in that unit because of a new assignment. A better measure may be the fact that of the 1.5 million individuals who have deployed for Iraq of OEF, about 30% have had more than one deployment.⁷⁷

Reserve units have also been frequently cited as short of equipment because some equipment has been left behind in Iraq and replacement equipment has not been delivered. Problems with reserve readiness are longstanding because until the Afghan and Iraq operations, reservists were seldom deployed for contingencies and thus were traditionally given less equipment and personnel.⁷⁸ Recent DOD requests include substantial funding for new equipment for the reserves.

Some readiness concerns, like those of the reserves, are longstanding. It is not clear how long other readiness problems have persisted or how long they will continue. This debate about readiness has sharpened with the president’s proposal to increase troop levels in Iraq by 21,500 and consideration of withdrawal options. Congress may want to get estimates from the services of how long readiness problems are expected to persist and whether problems reflect lack of resources or management problems such as an inability to identify ongoing reset and hence ensure that equipment needed most urgently is fixed or replaced first.

Readiness of Afghan and Iraqi Security Forces. Congress has raised considerable concerns about the readiness of Afghan and Iraqi security forces providing full funding of DOD’s request in the FY2007 Supplemental despite concerns about the effectiveness of training efforts thus far. With passage of the supplemental, annual appropriations to train and equip Afghan forces grow from \$1.9

⁷⁵ Transcript of hearing before House Armed Services Committee, “Hearing on Iraq Policy Issues: Implications of the President’s Policy for Readiness, the Total Force and Strategic Risk,” January 23, 2007, p. 10.

⁷⁶ See Tables 1, 3, and 5 in CRS Report RL32965, *Recruiting and Retention: An Overview of FY2005 and FY2006 Results for Active and Reserve Component Enlisted Personnel*, by Lawrence Kapp and Charles A. Henning.

⁷⁷ Defense Manpower Data Center, “Contingency Tracking System Deployment File for Operations Enduring Freedom & Iraqi Freedom,” As of December 31, 2006.

⁷⁸ GAO-5-660, *Reserve Forces: An Integrated* ; GAO-06-1109T, *Reserve Forces: Army National Guard and Army Reserve Readiness for 21st Century Challenges*, September 21, 2006.

billion in FY2006 to \$7.4 billion in FY2007. For Iraqi security forces, FY2007 appropriations increase from \$4.9 billion in FY2006 to \$5.5 billion in FY2007. Congress has provided a total of \$30.2 billion for these purposes, including \$19.2 billion for Iraq and at least \$10.6 billion for Afghanistan (see **Table 8**).⁷⁹

It is not clear whether these steep increases can be absorbed effectively in both countries. As of March 2007, DOD had available about \$1.9 billion for Iraqi training and about \$300 million for Afghan training from prior year monies. With the funds appropriated in FY2007 supplemental, DOD will have a total of \$7.5 billion for the Iraq Security Forces Fund (ISFF) and \$6.1 billion for the Afghanistan Security Forces Fund (ASFF) to spend over the next 18 months. By way of comparison, DOD obligated \$5.1 billion for Iraq and \$1.8 billion for Afghanistan in FY2006.⁸⁰

To monitor progress, Congress required in that FY2007 Supplemental that by September 22, 2007, DOD submit a report to be conducted by a private entity that assesses the capability of the Iraqi Security Forces to provide security within the next 12 to 18 months, as well as the “likelihood that, given the ISFF’s record of preparedness to date ... the continued support of U.S. troops will contribute to the readiness of the ISF to fulfill” its missions (see Section 1313 (e) (2)).⁸¹ The final version also requires a DOD report on the readiness of individual Iraqi units within 30 days, a detailed report by OMB on individual projects, and an estimate of the total cost to train both Iraqi and Afghan security forces within 120 days with updates every 30 days (Sec. 3301).

**Table 8. Afghan and Iraq Security Forces Funding:
FY2004-FY2008 Request**

(in billions of dollars)

Account	FY04	FY05	FY06	FY07 Bdge	FY07 Supp	FY07 Total	Total Enacted ^a	FY08 Req.
Afghan Security Forces Fund ^a	[.337]a	1.285	1.908	1.500	5.906	7.406	11.136	2.700
Iraq Security Forces Fund ^a	[5.000]a	5.700	3.007	1.700	3.842	5.542	19.251	2.000
TOTAL^a	[5.339]	6.985	4.915	3.200	9.748	12.948	30.187	4.700

a. Figures in square brackets are funds to train security forces that were appropriated to the State Department in the Afghan National Army, foreign military sales financing, training of Afghan police, or training for Iraqi forces; included within total enacted. Reflects enacted from

⁷⁹ Total includes \$5 billion appropriated for Iraq training in FY2004 to the State Department. Afghanistan has received funding for its training through other accounts.

⁸⁰ CRS calculations based on Defense Finance and Accounting Service (DFAS), *Supplemental & Cost of War Execution Reports*, September 2006 and March 31, 2007; ASFF and ISFF funds are available for two years.

⁸¹ Sec. 1313, P.L.110-28 requires that the report is to be submitted to the armed services, appropriations, foreign relations, international relations, and intelligence committees of both houses 120 days after enactment.

FY2004-FY2007 including funds appropriated to the State Department (shown in square brackets) and to the Defense Department in Title IX Bridge funds in DOD's regular appropriations acts and supplementals. CRS calculations from public laws and conference reports.

Improving War Cost Reporting

How might Congress get better, accurate information on war costs? To get official figures and a better sense of DOD's plans, Congress may want to consider directing DOD to do one or more of the following:

- provide estimates of the allocations of all budget authority provided for OIF and OEF including transfers;
- provide past, current and future estimates of average troop strength — both deployed and total — for each operation and other key cost drivers such as operating tempo;
- set up separate appropriation accounts for war funding to create visibility on outlays and increase accuracy;
- compare all budget authority appropriated for war with obligations for each operation to identify trends and reporting inconsistencies;
- explain the rationale and assumptions underlying estimates of reset requirements to repair and replace equipment that is worn out or lost in combat, and track amounts actually spent;
- estimate and explain how recapitalization and upgrade requirements are related to war needs rather than ongoing modernization;
- show how funding provided in supplemental appropriations may reduce DOD's baseline requests by funding maintenance or procurement earlier than anticipated;
- estimate future costs under various scenarios.

Thus far, Congress is receiving fairly detailed quarterly reporting on various metrics for success in Iraq in its Section 9010 report but cost is not one of those metrics. Congress may want to include detailed cost reporting for both Iraq, Afghanistan and other counter terror operations.⁸² Particularly if the global war on terror is indeed “the long war” of indefinite duration, better cost reporting could aid congressional oversight and assessment of emergency funding requests.

⁸² H.Rept. 109-72, p. 97; DOD, Report to Congress, “Measuring Stability and Security in Iraq,” July 21, 2005; [<http://www.defenselink.mil/news/Jul2005/d20050721secstab.pdf>].

Appendix

Table A1. Defense Department, Foreign Operations Funding, and VA Medical Funding for Iraq, Afghanistan and Other Global War on Terror, and Enhanced Base Security, FY2001-FY2007 Bridge

(in billions of dollars of budget authority)^a

Name of law	Public Law No.	Date Enacted	DOD Funds	Foreign Aid Embassy	VA Medical	Total cost
FY2001 Emerg. Supp. Approp. Act for Recovery from and Response to Terrorist Attacks on the United States	107-38	9/18/01	13.6	0.3	0.0	13.9
FY2002 Dept. Of Defense and Emergency Terrorism Response Act	107-117	1/10/02	3.4	0.0	0.0	3.4
FY2002 Emergency Supplemental	107-206	8/2/02	13.8	0.4	0.0	14.1
FY2002 Regular Foreign Operations	107-115	1/10-02	0.0	0.2	0.0	0.2
FY2003 Consolidated Approps	108-7	2/20/03	10.0	0.4	0.0	10.4
FY2003 Emergency Supplemental	108-11	4/16/03	62.6	3.3	0.0	66.0
FY2003 DOD Appropriations ^b	107-48	10/23/02	7.1	0.0	0.0	7.1
FY2004 DOD Appropriations Act (rescission of FY03 funds)	108-87	9/30/03	-3.5	0.0	0.0	-3.5
FY2004 Emergency Supplemental	108-106	11/6/03	64.9	21.2	0.0	86.1
FY2004 Foreign Operations Approps.	108-199	1/23/04	0.0	0.5	0.0	0.5
FY2005 DOD Appropriations Act, Titles IX and X ^c	108-287	8/5/04	25.0	0.7	0.0	25.7
FY2005 Supplemental Approps ^e	109-13	5/11/05	75.9	3.1	0.0	79.0
FY2005 Omnibus Appropriations	108-447	12/8/04	0.0	1.0	0.0	1.0
FY2005 DOD Appropriations Act ^d	108-287	8/5/04	2.1	0.0	0.0	2.1
FY2006 DOD Approps Act, Title IX ^c	109-148	12/30/05	50.0	0.0	0.0	50.0
FY2006 DOD Appropriations Act ^d	109-148	12/30/05	0.8	0.0	0.0	0.8
FY2006 Foreign Operations Approps.	109-102	11/14/05	0.0	1.0	0.0	1.0
FY2006 Science, State, & Rel. Agencies Appropriations Act ^e	109-108	11/22/05	0.0	0.1	0.0	0.1
FY2006 Interior & Rel. Ag. Approp. ^f	109-54	8/2/05	0.0	0.0	0.2	0.2
FY2006 Military Quality of Life & Veterans Affairs ^f	109-114	11/30/05	0.0	0.0	0.5	0.5
FY2006 Emergency Supplemental	109-234	6/14/06	66.0	3.2	0.0	69.3
FY2007 DODO Appropriations Act, Baseline and Title IX ^c	109-289	9/29/06	70.5	0.0	0.0	70.5
FY2007 Continuing Resolution	110-5	2/15/07	0.0	2.1	0.6	2.7
FY2007 Supplemental	110-28	5/25/07	95.2	3.7	0.4	99.3
Subtotal			557.4	41.0	1.6	600.1
FY2001 Transfers	unknown	2.0	0.0	0.0	0.0	2.0
FY2003 Transfers	various	NA	1.2	0.0	0.0	1.2
FY2004 Transfers	various	NA	5.7	0.0	0.0	5.7
FY2005 Transfers	various	NA	1.5	0.0	0.0	1.5

Subtotal Transfers^h			10.4	0.0	0.0	10.4
TOTAL ENACTED (w/ transfers)	NA	NA	567.8	41.0	1.6	610.5

Source: CRS calculations based on public laws and DOD documents.

Notes: NA=Not Applicable. Totals may not add due to rounding.

- a. Totals reflect budget authority for war-related expenses from appropriations and transfers, and exclude contingent appropriations not approved, rescissions that do not affect war-related funds, and transfers that were later restored in supplemental appropriations.
- b. Includes \$7.1 billion in regular FY2003 defense appropriations for GWOT that DOD cannot track.
- c. DOD's regular appropriations bills included a separate Title IX for additional emergency appropriations for war costs in FY2005, FY2006, and FY2007 to "bridge" the gap between the beginning of the fiscal year and passage of a supplemental. Title IX funds in FY2005 does not include \$1.8 billion scoring adjustment reversing previous rescission of FY2004 funds because this did not change wartime monies. Also includes ONE in DOD's baseline budget. Excludes funds for tsunami relief and for the new office for the Director of National Intelligence.
- d. Reflects funds obligated for enhanced security (Operation Noble Eagle) in FY2005 and FY2006 from DOD's baseline funds as reported by Defense Finance Accounting Service.
- e. Excludes funds for Tsunami relief.
- f. Includes VA medical funds for Iraq and Afghan veterans in emergency funding in Interior bill and in regular VA appropriations.
- g. CRS estimates of likely amounts to be provided for Iraq and Afghanistan for foreign and diplomatic operations and VA medical under the FY2007 Continuing Resolution.
- h. CRS calculations of transfers from DOD's regular appropriations to war funding based on DOD's 1414 reports on prior approval reprogrammings and other sources.